401(k)/403(b) Versus IRA

	401(k)/403(b)	IRA
How you access it	Your workplace may offer you such an account as a benefit.	You can open an account directly with a financial intermediary, like Just Futures.
How you fund it	You can elect to have some of your paycheck go directly into your account each pay period. Your employer can put additional money – outside of your salary – into your account. They can do this as a one-off payment or each pay period.	You put money from your bank account into your IRA. Notes: 1. Rather than funding this account all at one time, contributing money steadily over time can be beneficial. 2. You or your spouse must fund this account with "earned income."
Can your employer contribute on your behalf?	Yes, an employer can: 1) make a matching contribution, based on how much you contribute from your salary,* 2) make a guaranteed (aka "non-elective") contribution, regardless of whether or not you contribute from your salary, or 3) combine a match and a guaranteed contribution.*	No.
Internal Revenue Service (IRS) 2025 annual contribution limit Note: If you have both a workplace sponsored account and an IRA, the maximums are separate for these two categories.	Individual up to age 50: • $23,500 from salary Individual age 50 through 59: • $31,000 from salary (standard $23,500 + $7,500 "catch-up") Individual age 60 through 63 • $34,750 from salary	Individual up to age 50: • $7,000 from individual's or spouse's "earned income" Individual age 50 or older: • $8,000 from individual's or spouse's "earned

	(standard $23,500 + $11,250 “catch-up”) Individual age 64 or older: • $31,000 from salary (standard $23,500 + $7,500 “catch-up”) Notes: 1. For 2025, the maximum total combined contribution from an individual and their employer is $70,000. 2. These maximums apply to all of an individual’s workplace sponsored plans combined. So, if someone contributes to both a Roth 401(k) and a pre-tax or “traditional” 401(k), or if they contribute to a 401(k)/403(b) at multiple workplaces, then the maximum refers to the sum across all of these workplace sponsored accounts. 3. Some 403(b) plans allow employees with at least 15 years of service with the same eligible 403(b) employer to make extra catch-up contributions, up to $3,000 per year, with a $15,000 lifetime cap.	income” (standard $7,000 + $1,000 “catch-up”) Note: These maximums apply to all of an individual’s IRAs combined. So, if someone contributes to both a Roth and a pre-tax (“traditional”) IRA, or if they contribute to an IRA at multiple institutions, then the maximum refers to the sum across all of these accounts.
Income limit	No: The IRS allows people of all incomes to contribute to a Roth or pre-tax (“traditional”) account.	Yes: If you or your spouse earns more than the IRS annual income limit, you may have to phase out your contributions, or you may be completely prohibited from contributing.

		Rules vary depending on your marital status, tax filing status, whether you want to contribute to a Roth or pre-tax (“traditional”) account, and whether you or your spouse has access to a workplace retirement plan.
Investment options	You may choose among investment options that your employer’s plan offers.	You may compare investment options at various financial institutions. Then, you get to choose the financial institution you prefer. In this way, you have more freedom than you would with a workplace sponsored retirement account.
Are loans allowed?	Some workplace sponsored retirement accounts allow you to take a loan. Rules vary per plan. If you are thinking about taking a loan from your workplace sponsored retirement account, we recommend you get the facts from your retirement plan administrator and consult a tax professional to make an informed decision.	No.
Age you may begin taking standard (aka “qualified”) withdrawals	59 ½ Note for Roth 401(k)/403(b): Some plans allow you to take an early, non-hardship withdrawal before age 59 ½. But the IRS requires you to withdraw some EARNINGS along with your contributions. The amount of EARNINGS you must withdraw is based on a proportion of contributions to earnings. If five years have not passed since January 1 of the year in which you first	59 ½ Notes for Roth IRA: 1. If five years have not passed since January 1 of the tax year in which you first contributed to any of your Roth IRAs, then you will have to pay income taxes on EARNINGS (not contributions) you withdraw. And if you are not yet 59 ½

	contributed to the Roth 401(k)/403(b) from which you wish to withdraw, then you will have to pay income taxes on EARNINGS (not contributions) you withdraw. And if you are not yet 59 ½ years old, then you will also have to pay a 10% penalty on those EARNINGS you withdraw.	years old, then you will also have to pay a 10% penalty on those EARNINGS you withdraw. 2. At any age, you can withdraw CONTRIBUTIONS (not earnings) from your Roth IRA tax-free and penalty-free, as long as you wait five years from January 1 of the tax year in which you first contributed to any of your Roth IRAs.
Are early (aka unqualified) withdrawals allowed? If you are in a situation that the IRS defines as "hardship," you may make an early withdrawal from your pre-tax ("traditional") account. Some examples of hardship include needing to pay for: medical expenses, primary residence purchase, post secondary education, preventing eviction, a funeral, and primary residence damage repair. Notes: 1. Some exceptions apply to Roth accounts. See the row immediately above in this chart. 2. If you withdraw money early outside of what the IRS, your plan, or your account host allows, you will likely have to pay income tax and a 10% penalty	✓ Note: not all workplace plans allow early or hardship withdrawals.	✓ Note: not all IRA providers allow early or hardship withdrawals. If you would like this option, you can find an IRA provider that offers it (many providers do).

on the withdrawal.		
At what age must I begin taking required minimum distributions (RMDs)? RMDs are annual withdrawal requirements that the IRS sets. Notes: 1. At age 59 ½, you ***may*** begin withdrawing money from your retirement account penalty-free. The RMD rules describe when you ***must*** begin taking withdrawals. 2. RMDs do not apply to Roth accounts while the original owner is alive. Inherited Roth account beneficiaries must take RMDs. 3. In 2033, the standard RMD age will increase from 73 to 75.	April 1 of the year following the year you turn 73, OR if you are still employed and your plan allows, you may wait until April 1 of the year following the year you retire, BUT if you own 5% or more of the company where you work, you must begin RMDs by April 1 of the year following the year you turn 73.	April 1 of the year following the year in which you turn 73, even if you're still employed.
Legal protections against creditors	With some exceptions, the Employee Retirement Income Security Act (ERISA) protects workplace sponsored retirement accounts against creditors. For example, if someone sues you, they generally cannot demand assets from your workplace sponsored account. This account is also generally protected against bankruptcy.	The Employee Retirement Income Security Act (ERISA) does not protect IRAs. So, for example, if someone sues you, depending on state government laws, that creditor may be allowed to demand assets from your IRA. The Bankruptcy Abuse Prevention and Consumer Protection Act does protect your IRA against bankruptcy.
Come in pre-tax (aka “traditional”) and Roth versions	✓ Note: some employers only offer one version.	✓ Note: some financial institutions only offer one

		version. If you would like both options, you can find an IRA provider that offers both (many providers do).
Tax advantaged	✓	✓
Fees	Fees vary depending on service provider, employer plan details, and fund choice.	Fees vary depending on service provider and fund choice.
Annual contribution deadline	December 31 of the plan year. For example, the deadline to contribute for 2025 is December 31, 2025.	Tax filing deadline for the tax year. For example, the deadline to contribute for 2025 is April 15, 2026.

*Any contributions you make to your 401(k)/403(b) are yours. However, depending on your employer plan's vesting schedule, the matching contribution from your employer may not be yours unless you meet the requirements. Some vesting schedules require you to stay at your job for a predetermined amount of time before the employer match is yours to keep. For example, you might be entitled to 100% of an employer match if you've stayed 3 years, but none if you leave before then. Another variation of a vesting schedule is earning 20% of an employer match for every year you stay, so you receive 100% of the match once you've stayed for 5 years. Check your plan's rules if you're thinking of changing jobs.

Dollar cost averaging may help reduce per share cost through continuous investment in securities regardless of fluctuating prices and does not guarantee profitability nor can it protect from loss in a declining market. The investor should consider his/her ability to continue investing through periods of low price levels.

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