Retirement Planning Reference Sheet

Quick reference for retirement accounts, compound growth, and planning strategies

Account Type	Tax Treatment	2024 Limits	Employer Match	Withdrawal Rules	Best For
Traditional 401(k)	Pre-tax contributions; taxed on withdrawal	$23,000 ($30,500 if 50+)	Yes - often 3-6%	10% penalty before 59.5; RMDs at 73	High earners expecting lower tax bracket in retirement
Roth 401(k)	After-tax contributions; tax-free withdrawal	$23,000 ($30,500 if 50+)	Yes (match goes to traditional)	Tax-free after 59.5 & 5 years; RMDs at 73	Those expecting higher tax bracket in retirement
Traditional IRA	Tax-deductible (income limits); taxed on withdrawal	$7,000 ($8,000 if 50+)	No	10% penalty before 59.5; RMDs at 73	No employer plan; want tax deduction now
Roth IRA	After-tax contributions; tax-free withdrawal	$7,000 ($8,000 if 50+)	No	Contributions anytime; earnings after 59.5 & 5 years; no RMDs	Young workers; want flexibility; expect higher taxes
SEP IRA	Pre-tax contributions; taxed on withdrawal	25% of income up to $69,000	N/A (self-employed)	10% penalty before 59.5; RMDs at 73	Self-employed, high income
403(b)	Pre-tax or Roth options; like 401(k)	$23,000 ($30,500 if 50+)	Yes	Same as 401(k)	Teachers, nonprofits, government employees

2024 Contribution Limits

401(k) / 403(b) / 457

$23,000
Catch-up (50+): +$7,500

IRA (Traditional/Roth)

$7,000
Catch-up (50+): +$1,000

SEP IRA

$69,000
Or 25% of compensation

SIMPLE IRA

$16,000
Catch-up (50+): +$3,500

The Power of Compound Growth

Starting Early vs. Starting Late (7% annual return)

Scenario	Monthly	Years	Total Contributed	Value at 65	Growth
Start at 22	$200	43	$103,200	**$620,000**	$516,800
Start at 32	$200	33	$79,200	$280,000	$200,800
Start at 42	$200	23	$55,200	$120,000	$64,800
Start at 42 (catch-up)	$500	23	$138,000	$300,000	$162,000

Key insight: Starting 10 years earlier with $200/month beats starting late with $500/month!

Saving vs. Investing

- **Saving:** Short-term (1-3 years), low risk, lower returns, capital preservation
- **Investing:** Long-term (3+ years), higher risk, higher potential returns, wealth building
- Retirement planning primarily involves **investing** due to long time horizons
- Keep emergency fund (3-6 months) in savings separate from retirement investments

Asset Allocation by Age

- **Rule of 110:** 110 - Age = % in stocks
- **Age 25:** 85% stocks, 15% bonds
- **Age 40:** 70% stocks, 30% bonds
- **Age 55:** 55% stocks, 45% bonds
- **Age 65:** 45% stocks, 55% bonds
- Gradually shift to more conservative as you approach retirement

Key Age Milestones

Age 50

Catch-up contributions allowed (+$7,500 for 401k, +$1,000 for IRA)

Age 59.5

Can withdraw from retirement accounts without 10% early penalty

Age 62-70

Social Security eligibility (62 reduced, 67 full, 70 max)

Age 73

Required Minimum Distributions (RMDs) begin from traditional accounts

Social Security Basics

Early (Age 62)

Permanently reduced benefits (about 30% less than full retirement age)

Full Retirement (Age 67)

100% of calculated benefit (for those born 1960+)

Delayed (Age 70)

Maximum benefit - 8% increase per year delayed after 67 (up to 124%)

Note: Average Social Security benefit in 2024 is ~$1,900/month. It's designed to replace only about 40% of pre-retirement income. Personal savings are essential.

Key Formulas and Rules

50/30/20 Budget Rule

`50% Needs / 30% Wants / 20% Savings & Debt`

Allocate at least 20% to savings, including retirement contributions

Retirement Savings Goal

`Target = Annual Expenses x 25 (4% withdrawal rule)`

Example: $50,000/year expenses = $1.25 million needed

Employer Match Value

`Free Money = Salary x Match % x Your Contribution %`

Example: $50,000 salary x 3% match = $1,500/year free money (if you contribute at least 3%)

Maximum 401(k) + IRA Contributions

`Required Income = (401k + IRA) / 20%`

Example: ($23,000 + $7,000) / 0.20 = $150,000 needed to max out at 20% savings rate

Maximize Growth

- Start contributing ASAP
- Always get full employer match
- Increase contributions with raises
- Use tax-advantaged accounts first
- Keep investment fees low

Tax Optimization

- Traditional: Deduct now, pay later
- Roth: Pay now, tax-free later
- Consider tax diversification (both)
- Roth conversions in low-income years
- HSA as stealth retirement account

Common Mistakes

- Not starting early enough
- Missing employer match
- Cashing out when changing jobs
- Taking early withdrawals
- Being too conservative when young

If You're Just Starting (Ages 18-25)

Open a Roth IRA or enroll in employer 401(k). Even $50-100/month makes a huge difference with 40+ years of growth. Prioritize getting any employer match - it's free money. Focus on growth-oriented investments since you have time to recover from downturns.

If You're Building Momentum (Ages 26-40)

Increase contributions with every raise. Work toward maxing out 401(k) and IRA. Consider both traditional and Roth for tax diversification. Automate contributions so they happen before you see the money. Rebalance annually.

If You're Catching Up (Ages 41-55)

Maximize catch-up contributions when eligible. Reduce expenses to boost savings rate. Consider working a few extra years. Shift gradually toward more conservative allocation. Calculate your retirement number and create a specific plan.

Key Takeaway

The most powerful factor in retirement planning is **time**. Starting early - even with small amounts - allows compound growth to do the heavy lifting. A 22-year-old investing $200/month can accumulate more than a 42-year-old investing $500/month. Always capture your full employer match (it's free money), use tax-advantaged accounts to maximize growth, and gradually shift to more conservative investments as retirement approaches. Remember: Social Security is designed to replace only about 40% of income - personal savings are essential for a comfortable retirement. The steps you take today, no matter how small, can have a profound impact on your financial security decades from now.