

# Saving for RETIREMENT

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## RETIREMENT SAVINGS OPTIONS

**Traditional IRAs, Roth IRAs and 401(k)s** are all products designed to be an incentive to save up for retirement. These accounts act as containers for your investments. Inside them, your money can grow and accumulate tax-free.

Each account type works a little differently:

### TRADITIONAL IRA

- Set up at a financial institution
- **\$6,000** annual contribution limit
- Contributions are **pre-tax**
- Contribution amounts may be deducted from your income tax
- **Withdrawals in retirement are taxed** as ordinary income

### TRADITIONAL IRAs

Because these accounts are self-directed, you can choose from a wide range of investment options.

### ROTH IRA

- Set up at a financial institution
- **\$6,000** annual contribution limit
- Contributions are **after-tax**
- Contribution amounts cannot be deducted from your income tax
- **Withdrawals in retirement are tax-free**

### ROTH IRAs

Roth IRAs may not give you tax breaks on your contributions, but the fact that you don't pay taxes on qualified withdrawals is a huge perk.

### 401(k)

- Set up through your employer
- **\$19,000** annual contribution limit
- Contributions are **pre-tax**
- Contribution amounts come from directly from your salary
- **Withdrawals in retirement are taxed** as ordinary income

### 401(k)s

If your employer offers company match (free money!) on your 401(k) contributions, take advantage of it. Be aware that 401(k) plans tend to have more limited investment options.

## PICTURE YOUR RETIREMENT

**Have you ever thought about what you want your retirement to look like?**

It's hard to do (especially if your retirement is *decades* away), but designing the life you want can be motivating.

Do you envision...

- ➔ Traveling the world?
- ➔ Pursuing a passion?
- ➔ Living the simple life?
- ➔ Settling in a new city?



**Why do they call it a "nest egg"?**

You may have seen retirement savings being referred to as a "nest egg." The term is at least 300 years old and describes savings set aside for a later use. It is likely derived from the farmers' practice of putting eggs into hens' nests as a way to induce more egg-laying. It's a weird analogy, but the term has stuck around to this day!

The chart above is a simplified guide. Full details and exceptions are not listed here. To learn more, visit the [IRS.gov](https://www.irs.gov) website or talk to your credit union.

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