

# INDIVIDUAL RETIREMENT ACCOUNT (IRA) **PLAN OVERVIEW**

# IRA PLAN COMPARISON

Whether you're an employer who wants to help your employees work toward a secure retirement, or someone who wants to plan for your own future, this handy guide can help you narrow the focus and zero in on a retirement plan that could work for you in 2022. Because of the complexities involved with IRAs, always consult a legal or tax professional to be sure you are complying with all the rules.

2022	Traditional IRA	Roth IRA	SEP	Simple IRA
<b>Plan Features</b>	Contributions may be tax deductible (if individual falls within income guidelines); can be used in conjunction with any retirement plan. Contributions may be made after age 72.	Tax-free growth and distributions (provided certain conditions are met); nondeductible contributions may be made even after age 72; can be used in conjunction with any retirement plan	Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost	Employee- and employer-funded; easy to establish and maintain; no ADP/ ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan
<b>Who May Establish</b>	Age limit: None Income limit: None	Age limit: None Income limit: \$144,000 for single and \$214,000 for joint	Sole proprietors, partnerships, corporations, nonprofits, government entities	Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities
<b>Establishment Deadline</b>	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	October 1
<b>Contribution Deadline</b>	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions
<b>Contribution Limit/ Requirements</b>	Annual contributions* of up to \$6,000 or 100% of compensation (whichever is less); \$7,000 if age 50 or older; non-employed spouses may also contribute up to \$6,000 per year if conditions are met (\$7,000 if over 50)	Annual contributions* of up to \$6,000 or 100% of compensation (whichever is less); \$7,000 if age 50 or older; non-employed spouses may also contribute up to \$6,000 per year if conditions are met (\$7,000 if over 50)	25% of compensation up to \$61,000; approximately 20% for sole proprietors (due to self-employment deduction)	Employees may defer up to \$14,000; \$17,000 if age 50 or older; employer must match dollar for dollar up to 3% of compensation (can be lowered to 1% for two of every five years) OR 2% of compensation as a non-elective contribution
<b>Who Contributes</b>	Individual	Individual	Employer	Employee and Employer

\* Limit applies to Traditional and Roth contributions combined.

2022	Traditional IRA	Roth IRA	SEP	Simple IRA
<b>Maximum Employee Eligibility Requirements</b>	N/A	N/A	Age 21 or older, worked three of last five years and earned at least \$650 in each of those years; may exclude union employees and nonresident aliens	Earned at least \$5,000 during any two prior years and is expected to earn at least \$5,000 in current year; may exclude union employees and nonresident aliens; no age limit restriction
<b>Vesting</b>	100%	100%	100%	100% for both employee and employer contributions
<b>Distributions</b>	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72; exceptions to 10% penalty may apply*	Tax-free distributions allowed provided certain conditions are met; no minimum distributions required at age 72	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72; exceptions to 10% penalty may apply*	Distributions taken prior to age 59½ may be subject to 10% penalty tax, in addition to ordinary income tax (25% penalty applies if distribution is within two years of participation); minimum distributions required at 72; exceptions to 10% penalty may apply*
<b>Loan Features</b>	Not available	Not available	Not available	Not available
<b>Plan Administration</b>	None	None	None	None

\*For example, new parents may withdraw up to \$5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty tax. The distribution, which is still subject to income tax, can be repaid to the retirement account.

## RETIREMENT PLAN PORTABILITY

		Receiving Plan											
		To	IRA (Traditional Spousal)	Roth IRA	SEP IRA	SIMPLE IRA	Coverdell ESA	Qualified Plans <sup>1</sup>	Roth 401(k)	403(b)	Roth 403(b)	SIMPLE 401(k)	Government 457(b)
Delivering Plan	IRA (Traditional Spousal)	From	Transfer or Rollover	Conversion	Transfer or Rollover	Transfer <sup>2</sup> or Rollover <sup>2</sup>	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
	Roth IRA	Recharacterization <sup>3</sup>	Transfer or Rollover	Recharacterization <sup>3</sup>	NO	NO	NO	NO	NO	NO	NO	NO	NO
	SEP IRA	Transfer or Rollover	Conversion	Transfer or Rollover	Transfer <sup>2</sup> or Rollover <sup>2</sup>	NO	Rollover	NO	Rollover	NO	Rollover	Rollover	Rollover
	SIMPLE IRA	Transfer <sup>2</sup> or Rollover <sup>2</sup>	Conversion	Transfer <sup>2</sup> or Rollover <sup>2</sup>	Transfer or Rollover	NO	Rollover <sup>2</sup>	NO	Rollover <sup>2</sup>	NO	Rollover <sup>2</sup>	Rollover <sup>2</sup>	Rollover <sup>2</sup>

<sup>1</sup> Qualified plans include profit sharing, money purchase, defined benefit, ESOP, target benefit.

<sup>2</sup> Available only after the individual has been a SIMPLE plan participant for over two years.

<sup>3</sup> No recharacterizations of conversions made in 2018 or after.

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## PORTABILITY DEFINITIONS

### Transfer

- Movement of assets from one account to another in which both accounts are considered to be like plans. This type of transaction does not generate any tax reporting to the IRS and is therefore nontaxable. If the assets are changing custodians, the receiving custodian will need to sign a letter of acceptance accepting custodial responsibility of the account.

### Rollover

- Movement of assets from one account to another. This type of transaction generates a 1099-R on the delivering side and a 5498 on the receiving side for IRAs. The event may be nontaxable if it is done properly and within 60 days.

### Conversion

- Movement of assets from an eligible qualified plan or IRA to a Roth IRA. This type of transaction generates a 1099-R on the delivering side and a 5498 on the receiving side. This is generally a taxable event.

### Recharacterization

- Movement of assets from one account into another account to undo a previous transaction. This transaction is most common from a Roth IRA to an eligible IRA to undo a Roth conversion. Transaction will generate a 1099-R on the delivering side and a 5498 on the receiving side. A conversion from a Traditional IRA to a Roth IRA made after December 31, 2017 cannot be recharacterized.

**Still have questions? Speak to your LPL Financial professional. We can help you plot a course toward retirement success —personally, or as an employer who cares about the future of your valued employees, or both!**

This material was prepared by LPL Financial, LLC.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.



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