



Retirement plan overview

Reference guide



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Different IRAs, different benefits

An individual may choose to invest in one or both types of IRAs: **Traditional** and **Roth**.

Both a Traditional IRA and a Roth IRA are convenient, tax-advantaged ways to invest for retirement. Take a moment to evaluate the features and benefits of each before you invest. Then, work with your tax and financial professional to consider which IRA works best for your situation and retirement goals.

	Traditional IRA	Roth IRA
Description	Traditional IRAs offer the advantage of tax-deductible contributions that reduce the amount of current federal income tax you pay. In addition to upfront tax savings, the money in a Traditional IRA grows tax-deferred.	A Roth IRA is a retirement account in which you make contributions with after-tax money, but future earnings and capital gains accumulate tax-free. Unlike a Traditional IRA, there is no income tax on qualified Roth IRA withdrawals.
Taxes NOTE: It may be possible to convert pre-tax, employer-sponsored retirement plan accounts to a Roth IRA, depending on your retirement plan's policies. Please consult your employer (plan sponsor) to determine if this option is available, and your financial, legal and tax professionals whether it would be in your best interest based on your specific situation, financial goals and objectives.	Tax-deductible contributions: Your contribution to a Traditional IRA may be tax-deductible, depending on your adjusted gross income. See eligibility details on page 2. A tax deduction will reduce the amount of tax you pay for the year that you make the contribution. Your investment in a Traditional IRA is not taxed as long as it remains within the account, maximizing the potential compounded return.	No upfront tax deduction: Your contribution to a Roth IRA is not tax-deductible so there is no reduction of taxes in the year you make the contribution. See eligibility details on page 3. Like the Traditional IRA, your investment in a Roth IRA is not taxed as long as it remains within the account, maximizing the potential compounded return.
Distributions NOTE: Restrictions may apply, please contact your local IRS office or visit their website at www.irs.gov for more information.	Distributions taxed as income: Distributions from your Traditional IRA are generally taxable at your regular income tax rate.	Tax-free distributions: Distributions from your Roth IRA are generally tax-free if your account has been open for five years or more and you are 59½ or older (or another exception applies).
Additional tax on distributions before age 59½	An additional tax of 10% may apply to distributions made before you are 59½, unless an exception applies.	An additional tax of 10% may apply to distributions of earnings made before you are 59½, unless an exception applies.
Required minimum distributions	Required Minimum Distributions (RMDs) starting at age 73.	No Required Minimum Distributions (RMDs), as long as the participant is alive.



American workers taking a more active role in their finances and retirement.

71% indicated the current economic environment motivates them to take a more active role in managing their finances, and **60%** have increased their retirement contributions due to the economy. A financial professional can help you determine which IRA aligns with your retirement goals and financial situation.

Source: Voice of the American Worker survey, 2023.

For additional information, discuss with a tax or financial professional or refer to appropriate IRS Publication.

	Traditional IRA	Rollover IRA
May be appropriate for	<ul style="list-style-type: none"> • Wage earners who want to save independently for retirement • Joint return filers with one wage earning spouse • Clients who may not qualify to make a Roth IRA contribution but would like to convert to a Roth IRA (NOTE: pre-tax IRA assets are taxable on conversion) 	<ul style="list-style-type: none"> • Individuals who are about to receive a retirement plan distribution • Employer-sponsored retirement plan distributions received by a surviving spouse² • Non-spouse beneficiaries of employer-sponsored plans who wish to establish an “inherited” IRA²
Features	<ul style="list-style-type: none"> • Earnings accumulate tax deferred • Contributions may be tax deductible • A direct rollover from a 401(k) or other retirement plan enables the participant to defer federal income tax and avoid an additional 10% federal tax on early withdrawals taken prior to age 59½ • Direct rollovers and 60-day rollovers (see Rollover IRA Features to the right) may be made to a Traditional IRA by investors who do not want to establish a separate Rollover IRA • For 2020 and later, there is no age limit on making regular contributions to traditional or Roth IRAs 	<ul style="list-style-type: none"> • Earnings accumulate tax deferred • A direct rollover from a 401(k) or other retirement plan enables the participant to defer federal income tax and avoid additional 10% federal tax on withdrawals taken prior to age 59½ • Investors may roll over distributions from retirement plans, such as 401(k), 403(b) and government 457 plans, directly or within 60 days of receipt³ • Easy to establish and maintain
Eligibility requirements	<ul style="list-style-type: none"> • Must have received taxable compensation during the year or file a joint return with a spouse who received taxable compensation¹¹ • No income limits to contribute <ul style="list-style-type: none"> – If account owner or spouse is eligible to participate in an employer-sponsored retirement plan, IRA deductibility may depend on participant modified Adjusted Gross Income (AGI)¹¹ 	<ul style="list-style-type: none"> • No income requirement or limit • No age limit
Contribution limits	<ul style="list-style-type: none"> • Annual contributions of up to \$6,500 for tax year 2023 and \$6,000 for 2022 or 100% of compensation, whichever is less¹ • Spouses who file a joint tax return may each contribute up to \$6,500 for 2023 and \$6,000 for 2022¹ • Additional annual catch-up contribution of \$1,000 for investors age 50 and older in 2023 and 2022 	<ul style="list-style-type: none"> • Rollover contributions of up to the eligible rollover distribution • If Traditional IRA contributions are made to the Rollover IRA, the Traditional IRA plan contribution limits apply
Deadline to set up/contribute	<ul style="list-style-type: none"> • To receive contribution credit for the current year, the contribution must be made by the tax-filing deadline, not including extensions (usually April 15 of the following year) 	<ul style="list-style-type: none"> • If the distribution is received by the participant (or surviving spouse beneficiary), it must be rolled over within 60 days of receipt to defer federal income tax and avoid the additional 10% federal tax on withdrawals taken prior to age 59½ • If failure to meet this requirement is due to an event beyond the reasonable control of the investor, contact a tax or financial professional for assistance
Distributions	<ul style="list-style-type: none"> • Distributions may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies¹² • As of January 2023, required minimum distributions begin at age 73 	<ul style="list-style-type: none"> • Same as Traditional IRA

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Roth IRA

May be appropriate for

- Wage earners who want to save independently for retirement
- Joint return filers with one wage earning spouse
- Individuals with Traditional IRAs (as well as SEP or SIMPLE IRAs) who do not expect to take withdrawals for at least five years
- Clients interested in legacy planning

Features

- Tax-free growth and distribution of earnings (provided certain conditions are met)
- IRA assets can be converted to a Roth IRA, regardless of income (NOTE: pre-tax IRA assets are taxable on conversion)
- For 2020 and later, there is no age limit on making regular contributions to traditional or Roth IRAs
- Can be used in conjunction with any retirement plan
- Easy to establish and maintain
- No minimum distribution requirements during the participant's lifetime

Eligibility requirements and contribution limits

Roth IRA eligibility is determined by your modified Adjusted Gross Income (AGI), see table below.

IF you have taxable compensation and your filing status is...	AND your modified AGI is...	THEN, for 2023 you can contribute...
married filing jointly or qualifying widow(er)	less than \$218,000	up to \$6,500 (\$7,500 if you are age 50 or older)
	at least \$218,000 but less than \$228,000	the amount you can contribute is reduced
	\$228,000 or more	you can't contribute to a Roth IRA
married filing separately (and you lived with your spouse at any time during the year)	more than zero (-0-) but less than \$10,000	the amount you can contribute is reduced
	\$10,000 or more	you can't contribute to a Roth IRA
single, head of household, or married filing separately (and you didn't live with your spouse at any time during the year)	less than \$138,000	up to \$6,500 (\$7,500 if you are age 50 or older)
	at least \$138,000 but less than \$153,000	the amount you can contribute is reduced
	\$153,000 or more	you can't contribute to a Roth IRA

Deadline to set up/contribute

- To receive contribution credit for the current year, the contribution must be made by the tax-filing deadline, not including extensions (usually April 15 of the following year)

Distributions

- Distributions may be taken at any time but earnings may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies¹²
- Distributions may only be considered tax-free⁵ if they are made after the five-year period beginning with the first taxable year for which a contribution was made to a Roth IRA and the Roth IRA owner satisfies one of the following conditions:
 - Attains age 59½
 - Becomes permanently disabled
 - Makes a first-time home purchase (\$10,000 lifetime cap)
 - Dies

SEP IRA

- Self-employed individuals or small employers with variable earnings seeking an employer-funded option with the flexibility to change contributions annually

- Earnings accumulate tax deferred
- Nondiscrimination testing not required and contributions, if made, must be allocated to a SEP-IRA account for each eligible employee
- Low administrative cost
- Minimal IRS filings and paperwork
- Employer has flexibility to vary the contribution rate annually
- Employer is not committed to contributions for any future years
- Employees are immediately 100% vested in contributions made to their account
- Easy for employers to establish and maintain

Must include all employees who:

- Have reached 21 years of age
- Have performed service in three of the preceding five years
- Have earned at least \$650 in 2022 and \$750 in 2023

May exclude:

- Union employees subject to collective bargaining
- Certain nonresident aliens
- Employer contribution up to 25% of the employee's annual compensation but not more than \$61,000 for tax year 2022 and \$66,000 for 2023⁴

- Employer's tax-filing deadline plus extensions

- Distributions may be taken at any time but may be subject to an additional 10% federal tax if taken prior to age 59½ unless an exception applies¹²
- Minimum distributions required beginning at age 73

SIMPLE IRA

403(b)

May be appropriate for

- Employers with 100 or fewer employees seeking an alternative to a 401(k) plan with fewer administrative requirements
- Self-employed individuals with modest incomes
- Employers who have not sponsored a different retirement plan during the calendar year

Features

- Pre-tax contributions may reduce employee's current taxable income
- Earnings accumulate tax deferred
- Nondiscrimination testing not required
- Low administrative cost
- Minimal IRS filings and paperwork
- Employees are immediately 100% vested in contributions made to their account
- Easy for employers to establish and maintain

Eligibility requirements

Must include all employees who:

- Earn at least \$5,000 during two preceding years and can reasonably expect to earn at least \$5,000 in current year (employer may impose less restrictive eligibility requirements)

May exclude:

- Union employees subject to collective bargaining
- Certain nonresident aliens

Contribution limits

- Annual deferral limit is \$14,000 for 2022 and \$15,500 for 2023
- Employer must match deferrals dollar for dollar up to 3% of compensation⁴ (can be lowered to 1% in 2 out of 5 years), OR employer can make a 2% (of compensation) contribution for each eligible employee
- Additional annual catch-up contribution of \$3,000 in 2022 and \$3,500 in 2023 for investors age 50 and older

Deadline to set up/contribute

- New plans must be established between January 1 and October 1⁶
- 60-day notice must be given to all eligible employees
- Employer contributions must be made by employer's tax-filing deadline plus extensions

Distributions

- Distributions may be taken at any time but may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies¹²
- The premature distribution tax is increased to 25% if the distribution is taken within the first two years of participation
- Minimum distributions required beginning at age 73

- Employees of public schools, certain tax-exempt organizations, universities, colleges, hospitals and churches

- Pre-tax contributions may reduce employee's current taxable income
- Earnings accumulate tax deferred
- Employer may make matching, discretionary or mandatory contributions
- Flexibility in plan design

- Employees of a public school or a qualified tax-exempt organization such as a church, nonprofit hospital, or home health service agency [under Internal Revenue Code Section 501(c)(3)]

- Annual deferral limit is \$20,500 for 2022 and \$22,500 for 2023. However, this general limit is reduced by the amount of elective deferrals an employee makes to certain other retirement plans
- Additional catch-up contribution of \$6,500 for 2022 and \$7,500 in 2023 for investors age 50 and older
- Participants who have been with their employer for at least 15 years may be able to defer up to \$3,000 more (\$15,000 lifetime cap)
- Total contributions per participant cannot exceed \$61,000 (\$67,500 for those age 50 and older) for tax year 2022 and \$66,000 (\$73,500 for those age 50 and older) for 2023

- Plan must be adopted by employer's year-end
- Salary deferrals made only on a calendar-year basis
- Employer contributions must be made by employer's tax-filing deadline, plus extensions

- Distributions may be taken only when the employee:
 - Separates from service
 - Attains age of 59½
 - Is eligible for a qualified reservist distribution (if permitted by plan)
 - Is eligible for a distribution due to the birth or adoption of a child (if permitted by plan)
 - Is a participant in a plan that is terminated by the employer
 - Becomes permanently disabled
 - Dies
- Distributions may be subject to an additional 10% federal tax if taken prior to age 59½ unless an exception applies⁷ (See IRS.gov for more information on any applicable exceptions)
- Minimum distributions required beginning at age 73 or retirement, whichever is later⁸

401(k)**Profit Sharing Plan**

May be appropriate for	<ul style="list-style-type: none"> • Small to large companies who want to offer their employees a salary deferral plan 	<ul style="list-style-type: none"> • Employers who want to offer a retirement savings plan with the flexibility to change contributions annually
Features	<ul style="list-style-type: none"> • Pre-tax contributions may reduce employee's current taxable income • Earnings accumulate tax deferred • Primarily employee funded • Employer may make matching or discretionary contributions • Vesting schedule available • Flexibility in plan design • May allow for plan loans 	<ul style="list-style-type: none"> • Earnings accumulate tax deferred • Nondiscrimination testing required • Employer has flexibility to vary the contribution rate annually • Employer is not committed to contributions for any future years • Vesting schedule available
Eligibility requirements	<p>Must include all employees who:</p> <ul style="list-style-type: none"> • Are at least age 21 • Have completed one year of service (must have worked at least 1,000 hours) • Have completed three consecutive years of service (with at least 500 hours worked) <p>May exclude:</p> <ul style="list-style-type: none"> • Union employees subject to collective bargaining • Certain nonresident aliens 	<p>Must include all employees who:</p> <ul style="list-style-type: none"> • Are at least age 21 • Have completed one year of service (at least 1,000 hours worked for the year), or two years of service, followed by immediate vesting <p>May exclude:</p> <ul style="list-style-type: none"> • Union employees subject to collective bargaining • Certain nonresident aliens
Contribution limits	<ul style="list-style-type: none"> • Annual deferral limit is \$20,500 for 2022 and \$22,500 for 2023. However, this general limit is reduced by the amount of elective deferrals an employee makes to certain other retirement plans • Additional catch-up contribution of \$6,500 for 2022 and \$7,500 in 2023 for investors age 50 and older • Employer contribution may not exceed 25% of eligible participant compensation⁴ • Total contributions per participant cannot exceed the lesser of \$61,000 (\$67,500 for those age 50 and older) in 2022 and \$66,000 (\$73,500 for those age 50 and older) in 2023 or 100% of eligible compensation 	<ul style="list-style-type: none"> • Up to 25% of eligible compensation⁴ but not more than \$61,000 per participant for tax year 2022 and \$66,000 for 2023
Deadline to set up/contribute	<ul style="list-style-type: none"> • Plan must be adopted by employer's year-end • Salary deferrals made only on a calendar-year basis • Employer contributions must be made by employer's tax-filing deadline, plus extensions 	<ul style="list-style-type: none"> • Plan must be adopted by employer's year-end • Contributions must be made by employer's tax-filing deadline, plus extensions
Distributions	<ul style="list-style-type: none"> • Distributions may be taken only when the employee: <ul style="list-style-type: none"> – Separates from service – Attains the plan's normal retirement age – Is eligible for a financial hardship distribution (if permitted by plan) – Is eligible for a qualified reservist distribution (if permitted by plan) – Is eligible for a distribution due to the birth or adoption of a child (if permitted by plan) – Is a participant in a plan that is terminated by the employer – Becomes permanently disabled – Dies • Distributions may be subject to an additional 10% federal tax if taken prior to age 59½ unless an exception applies¹² • Minimum distributions required beginning at age 73 or retirement, whichever is later⁸ 	<ul style="list-style-type: none"> • Distributions may be taken only when the employee: <ul style="list-style-type: none"> – Separates from service – Attains age 59½ – Is eligible for a financial hardship distribution (if permitted by plan) – Is eligible for a qualified reservist distribution (if permitted by plan) – Is participant in a plan that is terminated by the employer – Becomes permanently disabled – Dies • Distributions may be subject to an additional 10% federal tax if taken prior to age 59½ unless an exception applies¹² • Minimum distributions required beginning at age 73 or retirement, whichever is later⁸

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Qualified plan contribution limits for 2022–2023 (\$)

		2022	2023
401(k), 403(b)(7)	Elective contribution limit	20,500	22,500
	Catch-up contribution limit	6,500	7,500
SIMPLE IRA	Contribution limit	14,000	15,500
	Catch-up contribution limit	3,000	3,500
SEP IRA	Contribution limit lesser of	61,000	66,000
	25% of compensation/earned income ⁹ up to	305,000	330,000
	Minimum compensation to be considered eligible	650	650
Traditional IRA & Roth IRA¹⁰	Single filer contribution limit	6,000	6,500
	Married filing jointly contribution limit	12,000	13,000
	Catch-up contribution limit (age 50 and over)	1,000	1,000
Other limits	OASDI Taxable Wage Base*	147,000	160,200
	414(q)(1)(B) Highly Compensated Employee (HCE) threshold	135,000	150,000
	416(i)(1)(A)(i) Key Employee threshold	200,000	215,000

* For more information on OASDI (Old-Age Survivors, Disability and Hospital Insurance) contact the IRS at (800) TAX-FORM or at their website IRS.gov.

You may find more complete information on the above-referenced plans in one or more of the following IRS Publications:

- Publication 560 – Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans)
- Publication 571 – Tax-Sheltered Annuity Plans [403(b) Plans]
- Publication 575 – Pension and Annuity Income
- Publication 590-A – Contributions to Individual Retirement Arrangements (IRAs)
- Publication 590-B – Distributions from Individual Retirement Arrangements (IRAs)
- Publication 3998 – Choosing a Retirement Solution for Your Small Business
- Publication 4222 – 401(k) Plans for Small Businesses
- Publication 4806 – Profit-Sharing Plans for Small Business

If you require any of these publications or need additional information, you may contact the IRS at (800) TAX-FORM or at their website IRS.gov.

Endnotes

Source: Internal Revenue Service, IRS Notice 2022–55.

1. A participant may not contribute more than \$6,500 (or \$7,500 if age 50 or older) in aggregate between a Traditional IRA and a Roth IRA.
2. A non-spouse beneficiary who inherits an eligible retirement account will be able to roll over the assets into an "inherited" IRA. Specific rules apply that a non-spouse beneficiary needs to follow in order to elect rollover treatment.
3. However, except for direct rollovers, federal withholding tax of 20% is withheld from distributions from retirement plans, so the investor will have to use other funds to roll over the full amount of the distribution.
4. Maximum amount of annual compensation taken into account in determining benefits is \$305,000 for 2022 and \$330,000 for 2023. Unincorporated, self-employed persons should consult a tax professional regarding additional adjustments to income that may apply.
5. Distributions that do not meet one of the tax-free distribution events may be taxable. Taxability is accorded first to amounts that were contributed/converted, then earnings. Distributions of amounts that were previously taxed upon Roth IRA conversion are subject to the additional 10% federal and applicable state taxes if taken within five calendar years of the conversion.
6. This requirement does not apply to a new employer that comes into existence after October 1 of the year the SIMPLE IRA is established.
7. Distributions are generally subject to 20% federal withholding if not directly rolled over into an IRA. Distributions that are not rolled over may also be subject to additional 10% federal and applicable state taxes if received prior to age 59½.
8. Participants who own more than 5% of the company sponsoring the plan must begin taking distributions by April 1 following the year they reach age 73.
9. If self-employed, earned income must be reduced to take contribution into account.
10. Contribution limits for Roth IRA are subject to reduction and may be phased out based on individual's Adjusted Gross Income (AGI).
11. For additional information, discuss with a tax or financial professional or refer to IRS Publication 590-A.
12. See IRS Publications 590-A and 590-B for more information on any applicable exceptions.

All financial decisions and investments involve risks, including possible loss of principal.

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