

Nova News

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5 things you can do with an IRA that can't do with a 401k IRA or 401(k)? Know the key differences between having these two popular retirement plans to ensure you are saving in the right account.

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Individual retirement accounts (IRAs) and 401(k)s share a lot of similarities. They are both retirement plans. They both can help you lower your tax bill today, provide tax-deferred growth, and help provide an income source in retirement.

But there are also many differences between IRAs and 401(k)s. Some are relatively benign and probably won't impact you very much, but other differences can make one type of account far superior to the other in particular situations. With that in mind, today we explore five things you can do with an IRA that you can't with a 401(k).

1. Make a qualified charitable distribution

Qualified charitable distributions allow IRA owners and IRA beneficiaries age 70½ or older to send up to \$100,000 from their IRA account directly to a charity without including any of that amount in their income.

If you make a qualified charitable distribution, you won't get a charitable deduction. But by never adding the income to your tax return in the first place, it often still results in a lower tax bill than if you had taken a "normal" IRA distribution and made a "regular" charitable contribution. In no case would your tax bill be higher. As an added bonus, your qualified charitable distribution can be used to offset all or a portion of your required minimum distribution after your required beginning age.

2. Take a penalty-free distribution for higher education expenses

In general, distributions taken from a retirement account prior to age 59½ are subject to income tax and an additional 10% early distribution penalty. The law

does, however, provide for a number of exceptions to this rule. One such exception is available if you use your IRA to pay for higher education expenses (i.e. college tuition, books, required supplies, a computer for school) for yourself or for certain other family members, such as your children. Note that this exception is only available if you take money out of an IRA prior to age 59½.

If you try to do the same thing from a 401(k), you're going to wind up with a tax bill bigger than you had bargained for. Some very smart and well educated people, including lawyers and CPAs, have gone to tax court to argue this point, and none of them has walked away as the victor. Don't make the same mistake they did.

3. Take a distribution when you want

They call it a retirement account for a reason. It's supposed to be for your retirement! That said, life happens and sometimes people need to access their funds sooner than planned. If you are still working for the company sponsoring your 401(k) and you need some additional funds, you're at the mercy of your plan's rules and, to an extent, the Tax Code when it comes to being able to access your money. Typically, access to funds is extremely limited, especially if you're still under age 59½. In such cases, you may be able to take a loan from your 401(k) and you may be able to take a hardship distribution, but neither of those options is guaranteed to you legally.

In contrast, if you have an IRA, you can typically take a distribution from your account whenever you want. There are no restrictions under the law whatsoever. Of course, as noted above, if you take a

Planning Services Spotlight

RETIREMENT GAP ANALYSIS UTILIZING
MONEY GUIDE PRO ©



We will complete a full analysis of future goals, current assets and savings amounts. We will develop and present a full financial plan including risk management of accounts, portfolio and allocation changes if needed, savings amounts and solutions to hit goals including your needs, wants and wishes.

In March, we hosted our Next-Gen Happy Hour at Hamburg Brewery. Thank you to all who came and introduced us to their friends, family, and coworkers who wanted to find out more about what we offer. Highlighting the "next generation" that evening, we discussed our available a la carte and subscription-based services with a focus on Money Guide Pro.

UPCOMING EVENTS



We are excited for a Summer full of events! Please mark your calendars now so you won't miss them!

Tuesday, June 11th - Summer Shred! 3:30-6:00pm

A PROSHRED® truck will be on-site, as well as our friends from the Frozen Hog and Bflo Pizza Bistro for dinner and dessert on us! We will be accepting monetary and non-perishable donations for the Food Bank of WNY

Wednesday, July 10th - Advice Works Workshop 11:30AM

Special guest Jason Berghold will be in the office to answer all your questions on Advice Works, including how to navigate your account information and use the file-sharing feature. Please bring your own device and login information.

Wednesday, August 14th - Summer BBQ 5:00PM

Food from Dinosaur BBQ, Buffalo Tap Truck serving up drinks, and entertainment by After Affect! *New* this year - register by July 24th for a Nova Wealth t-shirt !

Formal Invitations for all events above will be sent by email as the event gets closer

In case you missed it...

Jill Maraschiello of Assured Partners joined us in the office last month to discuss Property and Casualty Insurance. We had a great conversation about when and how to shop for rates and how much coverage you need for your home and auto. Feel free to reach out to Jill for more information!



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