Qualified vs Non-Qualified Funds

Important Notice:

This presentation is for informational and educational purposes. Any reliance you place on such information is strictly at your own risk. It is not intended to constitute legal or financial advice and does not take individual circumstances and financial situation into account. It is recommended that you consult a tax professional.

What are Qualified Funds?

- Qualified funds are pre-tax contributions
  - Taxes have not been paid on these funds

- Examples of Qualified Funds.
  - 401(k)
  - 403(b)
  - IRA

- Taxed on earnings and principal when withdrawn

Pros and Cons of Qualified Funds.

Pros

Tax Benefits:

- Tax-deferred growth
- Tax-free growth for Roth accounts.
- Contributions may reduce taxable income. You cannot deduct contributions to Roth IRA.

Employer Contributions:

- Many employers match contributions (e.g., 401(k))

Long Term Security

- Designed for retirement Savings.

Cons

Withdrawal Restrictions:

- Early withdrawal penalties before age 59 1/2

Required Minimum Distributions (RMDs):

- Mandatory withdrawals starting at age 73 (for traditional accounts).

Contribution Limits:

- Mandatory withdrawals starting at age 73 (for traditional accounts).

Contribution Limits for Qualified Plans

- IRA: $7,500 ($8,600, if age 50 or older)

- Roth IRA: $7,500 ($8,600, if age 50 or older) unless adjusted by Modified AGI Limits.

- SEP: Employer contributions for each eligible employee must be limited annually to the lesser of $69,000 or 25% of compensation, based only on the first $360,000 of compensation.

- SIMPLE IRA: Employer is required to contribute each year either a:Matching contribution up to 3% of compensation (not limited by the annual compensation limit), or 2% nonelective contribution for each eligible employee
    - Under the "nonelective" contribution formula, even if an eligible employee doesn't contribute to his or her SIMPLE IRA, that employee must still receive an employer contribution to his or her SIMPLE IRA equal to 2% of his or her compensation up to the annual limit of $360,000.

What are Non-Qualified Funds?

- Non-Qualified funds are after tax contributions
- Examples of Non-Qualified Funds.
  - Savings Accounts
  - Investment Accounts
  - Inheritance
- Only the earnings are taxable when withdrawn.

Benefits of Pairing Annuity Plans

- Maximizing Retirement Strategy
- Diversify tax treatments to reduce retirement tax burden
- Blend guaranteed income with growth potential
- Tailor timing of withdrawals for optimal cash flow

Key Differences Between Qualified and Non-Qualified Annuities

Feature	Qualified Funds	Non-Qualified Funds
Tax Advantages	Yes	No
Withdrawal Flexibility	Limited	Unlimited
Contribution Limits	Yes	No
Employer Contributions	Possible	No