

Your IRA and Your Retirement

Everyone dreams of a comfortable retirement where you finally get to do all those things you never had time for but not everyone knows how to plan financially for it. One of the most popular ways of saving for retirement is with an Individual Retirement Account or IRA.

IRA's are accounts that you put money into for the long term - a savings for retirement. These contributions to your IRA are usually tax deductible which means that you are getting two benefits - saving for retirement as well as helping to lessen your tax burden.

If your employer has a company sponsored IRA (typically a 401K) you may even get luckier. First off, you can have your contribution deducted right from your paycheck and you'll never even miss it! Second, your employer may match part or all of your contributions. If you do have an employer that is nice enough to match contributions then you should take full advantage and set aside the maximum amount that they will match - it's free money so you'd be a fool not to!

Another consideration for retirement savings is a Roth IRA. This type of plan is popular with those that don't have an employer sponsored plan. A Roth IRA, however is different from an employer sponsored retirement plan as the contributions are not tax deductible. The benefit, however, is that when you go to take money out, you do not have to pay taxes on the withdrawals. With a typical IRA, the contributions are "before tax dollar" but the withdrawals are taxed, with Roth IRA the contributions are "after tax dollars" but the withdrawals are not taxed.

You should consider your retirement accounts just that - savings accounts for retirement. This means you should forget about that money until you retire. Avoid making withdrawals from the account unless it is an extreme emergency. If you change jobs, be sure to roll over your 401K plan to your new company's plan.

If at all possible, try to avoid withdrawals from your retirement account. For example, if you are changing jobs, roll your 401k (or other pension plan) directly into a Conduit IRA. This type of IRA will maintain your plan's tax-deferred status and allow it to be rolled over to a future employer's plan.

There are many ways to save for retirement and things are never cut and dried so you should seek the help of a financial professional to get the most mileage out of your retirement savings. And remember - it's never too early to start saving for retirement - the more you have the happier your retirement will be!

Source: <http://www.articlecircle.com>

About the Author

Lee Dobbins write about retirement and aging issues. Visit retirement-community.senior-citizens-site.com to learn more about retirement issues.