Tax-Deferred Investing: A Smart Way to Help Grow Your Wealth?

Examples of Tax-Deferred Accounts

Traditional IRA:

- Contributions may be tax-deductible.
- Earnings grow tax-deferred until withdrawal.
- Withdrawals are taxed as ordinary income

403(b) Plans:

- Similar to 401(k) plans but for employees of public schools and certain tax-exempt organizations.
- Contributions are made pre-tax, and earnings grow tax-deferred.

401(k) Plans:

- Employer-sponsored retirement plans.
- Contributions are made pre-tax, reducing taxable income.
- Earnings grow tax-deferred until withdrawal

Brianna Beski, CDFA | Financial Advisor | Brianna.Beski@raymondjames.com
719-208-3767 | 102 N Cascade, Suite 600, Colorado Springs, Co 80903 |
raymondjames.com/BriannaBeski

Benefits of Tax-Deferred Investing:

- Tax Savings: Contributions may reduce your taxable income, providing immediate tax benefits.
- Compound Growth: Earnings grow without the drag of annual taxes, potentially increasing your investment's value over time
- Retirement Confidence: Helps build a nest egg for retirement, and can assist in financial stability in your later years

Tax Bracket: Withdrawals are taxed as ordinary income, so consider your future tax bracket when planning

Required Minimum Distributions (RMDs): Starting at age 73, you must begin taking RMDs from most tax-deferred accounts

Early Withdrawal Penalties: Withdrawals before age 59½ may incur a 10% penalty in addition to regular income tax

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