

401K VS ANNUITY

Feature	401(k)	Annuity
Tax-Deferred Growth	Yes, both Traditional and Roth accounts grow tax-deferred (Roth	Yes, earnings grow tax-deferred; withdrawals of earnings taxed as
Penalty-Free Age	59½ (Rule of 55 exception may apply)	59½ (unless exceptions apply; some contracts allow other options)
Early Withdrawal Penalty	10% IRS penalty before 59½ (exceptions for disability, medical	10% IRS penalty + potential surrender charges during surrender
Required Minimum Distributions (RMDs)	Age 73 for pre-tax 401(k) (Roth exempt during owner’s lifetime)	Age 72+ or per annuity contract terms; late penalties up to 50% may
Withdraw Principal at Will	Yes, subject to taxes and possible early withdrawal penalties	Limited; typically restricted during surrender period, may have free
Guaranteed Income	No; depends on market performance	Possible with fixed annuities, income riders, or lifetime annuitization
Investment Control	High; you can choose from plan options (mutual funds, index funds,	Limited; options depend on contract type (fixed, variable, indexed)
Fees	Low; mostly fund management fees	Often higher; includes surrender charges, commissions, management
Flexibility	High; multiple withdrawal methods and rollovers to IRAs possible	Moderate to low; withdrawals subject to contract terms, annuitization may
Access to Loans	Possible up to \$50,000 or 50% of vested balance	Rare; depends on contract provisions, sometimes restricted
Withdrawal Options	Lump sum, periodic distributions, SEPP, rollovers	Lump sum, systematic withdrawals, annuitization, partial free