

## Retirement Plans

## Six Main Varieties of Retirement Plans

Type of Plan	Contribution Limit	Tax Deduction	Tax Shelter
<b>DB Plan<sup>1</sup></b>	Varies by age <sup>11</sup>	Yes	Until distribution
<b>401K PSP<sup>2</sup></b>	\$55,000 <sup>3,4,5,11</sup>	Yes	Until distribution
<b>SEP IRA<sup>6</sup></b>	\$55,000 <sup>5,11</sup>	Yes	Until distribution
<b>Simple IRA<sup>7</sup></b>	\$12,500 <sup>4,8,9,11</sup>	Yes	Until distribution
<b>IRA</b>	\$5,500 <sup>10,11</sup>	Yes	Until distribution
<b>Roth IRA</b>	\$5,500 <sup>10,11</sup>	No	Permanent

### Terms Defined

**Contribution Limit:** Maximum annual contribution into account

**Income Limit:** Income limit for contribution

**Tax Deduction:** Lowers taxes in year of contribution

**Tax Shelter:** Taxes deferred until distribution or permanent

### Strategy

**Financial Plan:** Determine retirement savings required to achieve financial goals

**Cash Flow:** Select optimal plan given required retirement savings

### Example

Employee earns \$100,000.

Saves \$20,000 or 20% of salary for retirement

Tax savings of \$5,000 in current year (except Roth IRA)

In 30 years, the account will cover spending and be worth \$2.5 million.

#### Assumptions:

20% savings rate, 7% investment return and 3% inflation

156 Second Street, Suite 312  
San Francisco, California 94105

9100 Wilshire Boulevard, Suite 503E  
Beverly Hills, California 90212

[www.efinvest.com](http://www.efinvest.com)  
(415) 379-4879  
[support@efinvest.com](mailto:support@efinvest.com)

<sup>1</sup> Defined Benefit Pension Plan

<sup>2</sup> Profit Sharing Plan

<sup>3</sup> Plus additional \$18,500 in elective deferrals and \$6,000 if 50 and over

<sup>4</sup> Contribution limited to 100% for contributions from salary

<sup>5</sup> Contribution limited to 25% of corporate income and 20% of partnership/proprietorship income

<sup>6</sup> Simplified Employee Pension

<sup>7</sup> Savings Incentive Match for Employees

<sup>8</sup> Plus employer matching up to 3% of salary (\$7,950) or contribution of 2% of salary (\$5,300)

<sup>9</sup> Plus additional \$3,000 if 50 and over

<sup>10</sup> Plus additional \$1,000 if 50 and over

<sup>11</sup> Subject to income limits