

Retirement Plans

Six Main Varieties of Retirement Plans

Type of Plan	Contribution Limit	Tax Deduction	Tax Shelter
DB Plan¹	Varies by age ¹¹	Yes	Until distribution
401K PSP²	\$56,000 ^{3,4,5,11}	Yes	Until distribution
SEP IRA⁶	\$56,000 ^{5,11}	Yes	Until distribution
Simple IRA⁷	\$13,000 ^{4,8,9,11}	Yes	Until distribution
IRA	\$6,000 ^{10,11}	Yes	Until distribution
Roth IRA	\$6,000 ^{10,11}	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 413
San Francisco, California 94105

9401 Wilshire Boulevard, Suite 1250
Beverly Hills, California 90212

www.efinvest.com
(415) 379-4879
support@efinvest.com

¹ Defined Benefit Pension Plan

² Profit Sharing Plan

³ Plus additional \$19,000 in elective deferrals and \$6,000 if 50 and over

⁴ Contribution limited to 100% for contributions from salary

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

⁶ Simplified Employee Pension

⁷ Savings Incentive Match for Employees

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

⁹ Plus additional \$3,000 if 50 and over

¹⁰ Plus additional \$1,000 if 50 and over

¹¹ Subject to income limits