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RETIREMENT: 4 PLANS TO CONSIDER

IRA, SEP, SIMPLE AND 401(k) Plans

You should be up-to-date on the types of retirement plans available for you and your employees, whether retirement days are near or far. In addition to providing for retirement, funding retirement plans may offer significant tax benefits today. The most common plans are **IRA, SEP, SIMPLE and 401(k).**

Individual Retirement Account

IRAs allow you to set aside money for your retirement. Financial institutions, mutual funds, stockbrokers and banks are among the entities offering IRA accounts.

TRADITIONAL IRA

To contribute to a traditional IRA, you must be under age 70 ½ at the end of the tax year. Your taxable compensation must be greater or equal to your contribution for the tax year. Depending on your circumstances, the contributions may be tax deductible in full or part. Earnings in your IRA are generally not taxed until you withdraw the money. With some limited exceptions, you cannot withdraw money from your IRA before you turn 59 ½ without incurring a 10% penalty as well as income tax.

ROTH IRA

You may be able to set up a Roth IRA, regardless of your age. Contributions are not deductible, but if all requirements are met, earnings will be tax free.

SEP Plan

Designed for small employers, the Simplified Employee Pension (SEP), has very few administrative burdens or costs. The employer sets up IRAs for the employees and funds them directly for the benefit of the employees.

SIMPLE Plan

Employers with 100 or fewer employees generally can set up a Savings Incentive Match Plan. A SIMPLE Plan is an arrangement under which am employer makes contributions to employees' SIMPLE retirement accounts. Employees can make salary reduction contributions to the plan. There are two types of SIMPLE plans, the SIMPLE IRA and the SIMPLE 401(k).

401(k) Plan

The most popular type of retirement plan used today is the 401(k). Employees can defer a portion of their salary as either a pre-tax or an after-tax contribution. There are different types of 401(k) plans. Depending on the type, the employer can make either non-elective or matching contributions for the benefit of the employees.