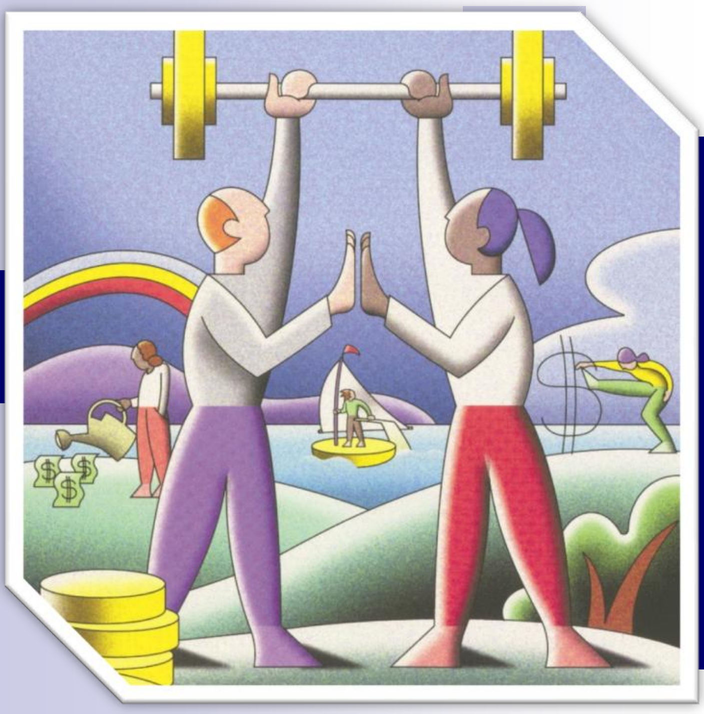


Savings Fitness:
A Guide to Your Money and Your Financial Future

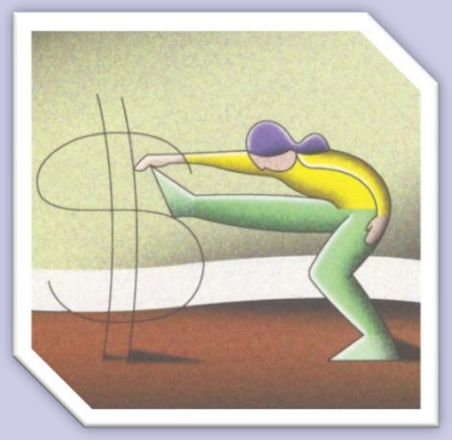
Savings Fitness Partners

- Helping you to set goals and fit saving for retirement into your personal priorities

  - U.S. Department of Labor Employee Benefits Security Administration

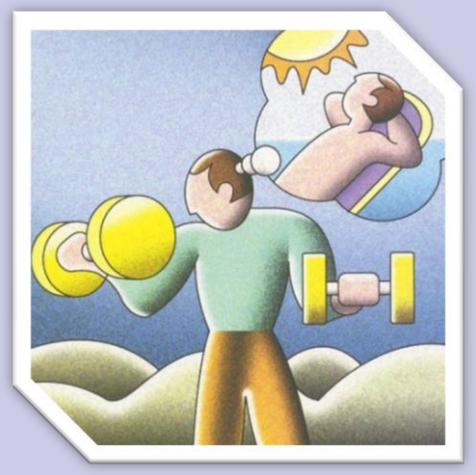
  - Certified Financial Planner Board of Standards Inc.

A Financial Warm-up



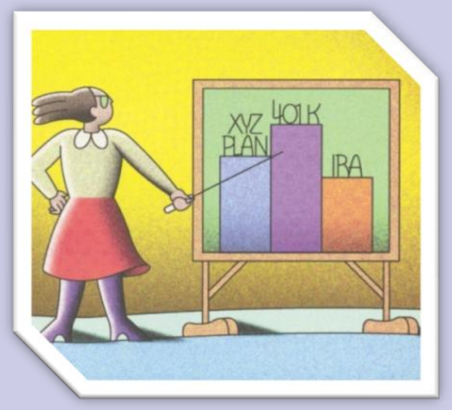
- Your retirement is the most expensive purchase you will ever buy
  - People live longer and are more active in retirement
  - You may have to pay for more of your retirement
- You can work toward all your goals
  - Make saving for retirement and other goals a habit
  - It is never too late to start saving!

Getting Fit and Managing Your Financial Life



- How to work on all your goals at once?
  - Write down each goal
  - Sort them: short-term and long-term goals
  - Prioritize the goals
  - Make retirement a priority!
  - Write what you need to do to accomplish each goal

Estimate How Much You Need to Save for Retirement



- Consider
  - How much you need to live on in retirement
  - How long you will live in retirement
  - What sources of income you will have in retirement
  - How many years you have left until retirement

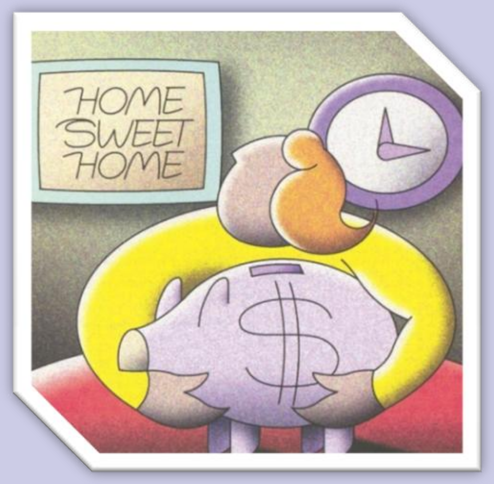
- Worksheet 4 can help you estimate how much you need to save

Retirement Saving

- The target saving rate is an estimate of how much to save as a percentage of your current annual salary
- 2 examples:
  - Jen is 30, plans to retire at age 65 and live to about 95. She earns $50,000 a year, $2,000 retirement savings. Her target rate is 9.5%

  - Mike is 45, plans to retire at age 65 and live to about 95. He also earns $50,000 a year and has $2,000 savings. His target savings rate is 24%.

Tips on How to Save Smart for Retirement



- Start now
- Start small
- Use automatic deductions
- Save regularly
- Be realistic about investment returns
- Roll over retirement account money
- Don’t dip into savings

A Workout Worth Doing

- Monitor your progress periodically
  - Review your spending plan
  - Monitor investments and adjust as needed
  - Contribute more toward retirement savings as income increases
  - Update your insurance safety nets
  - Keep your finances in order

Choosing a Retirement Solution for Your Small Business

ERISA

(Employee Retirement Income Security Act of 1974)

- Title I – DOL, EBSA
  - Reporting and disclosure, fiduciary
- Title II – IRS
  - Qualification, discrimination, vesting, distributions
- Title III – IRS and DOL
  - How we work together
- Title IV – PBGC
  - Defined benefit plans – terminations

Why Offer a Retirement Savings Plan?

- Help your employees save for the future
- Attract and retain quality employees
- Tax savings for your business
- Help secure your own retirement

Who Can Start a Retirement Plan?

- There is a plan for every type of business
  - ➔ C Corporation
  - ➔ S Corporation
  - ➔ Sole Proprietorship
  - ➔ Partnership
  - ➔ LLC
  - ➔ LLP

The Basics of Retirement Plans

- IRA-based plans
  - ➔ Benefit = accumulated contributions + earnings
- Defined contribution plans
  - ➔ Benefit = accumulated contributions + earnings
- Defined benefit plans
  - ➔ Benefit = specified amount

Payroll Deduction IRA

- Employer does not adopt a formal plan
- Employee decides whether and how much to contribute
- Payroll deductions allow employee to save small amounts each pay period
  - Made to IRA
  - May be tax deductible by the employee

Simplified Employee Pension (SEP)

- Employers set up an IRA for themselves and their employees
- Employer contributions only
  - Uniform percentage of pay for each eligible employee
  - Not required to make contributions every year

SIMPLE IRA Plan

- Employer must have 100 or fewer employees
- Employees can contribute through payroll deduction
- Requires employer contributions
  - ➔ Matching employee contributions dollar-for-dollar up to 3% of employee’s pay, OR
  - ➔ A fixed contribution of 2% of compensation for all eligible employees

Things to Consider IRA-Based Plans

- Easy to set up and operate
- Low cost to employer
- No annual filing requirement
- No loans
- Directed investments

401(k) Plan

- Employees defer a portion of their salary
- Salary deferrals are not taxed as current income (except Roth accounts)
- Earnings are not taxed until the employee takes a distribution
- Employer contributions may be made
- Employees may be allowed to choose among investment options provided under the plan

Safe Harbor 401(k) Plan

- Employees defer a portion of their salary
- Required employer contributions
  - ➔ Match at least as good as: 100% of the first 3% of compensation plus 50% of the next 2% of compensation OR
  - ➔ Non-elective 3% of compensation to all eligible employees
- No nondiscrimination testing

Automatic Enrollment 401(k) Plan

- Employees automatically enrolled, contributions deducted, unless they opt out during election period.
- Increases plan participation
- Automatic contributions may be invested in certain default investments

Things to Consider
Defined Contribution Plans

- Administrative costs may be higher
- The plan can be simple or complex
- Greater flexibility in contributions
- Employees may contribute more
- Employee deferrals are 100% vested
- Annual Form 5500 filing requirement
- Loans permitted
- Directed investments

Resources

- U.S. Department of Labor
  - ➔ www.dol.gov/ebsa
  - ➔ choosingaretirementsolution.org
  - ➔ Interactive "Small Business Advisor"
  - ➔ 1-866-444-EBSA – pubs and Qs
- Internal Revenue Service
  - ➔ www.irs.gov/retirement
  - ➔ 1-800-829-3676 - pubs

Steps to avoid common problems

1. Understand your plan and your responsibilities
2. Carefully select service providers
3. Make timely contributions
4. Avoid prohibited transactions
5. Make timely reports to government and disclosures to participants.