

- Chapter 3

- o **History of Retirement in the U.S.**

- Only 27% want to work or have to work during retirement
 - The average age to retire is 62.49 years old
 - Only 64% of workers have saved for retirement
 - Workers who have less than \$25,000 in total savings is 60%
 - 36% of workers with less than \$1,000 in total savings and investments
 - 44% of workers who have completed a retirement needs analysis

- o **U.S. Retirement Assets 2014(3rd quarter)**

- IRAs 7.34 trillion
 - Defined Contribution Plans 6.63 trillion
 - Private Defined Benefit Plans 3.16 trillion
 - Federal Pension Plans 1.38 trillion
 - Annuities 2.00 trillion

	Qualified Plans (11)	Profit Sharing Plans (7)	
Defined Benefit Plans (2)	Defined Benefit Pension Plans	Profit Sharing Plans	Defined Contribution
	Cash Balance Pension Plans	ESOP's	
		401 (k) Plans	
Defined Contribution Plans (2)	Money Purchase Pension Plans	Thrift Plans	
	Target Benefit Pension Plans	New Comparability Plans	
		Age-Based Profit Sharing Plans	

Pension Plans Plans

Vs.

Profit Sharing

- | | |
|-------------------------------------|--------------------------|
| • Paying Pension taxation | Deferral of compensation |
| • Mandatory funding standards | Chose not to share |
| • Invest 10% invested in securities | Up to 100% |

Defined Benefit Plan

Vs.

Defined Contribution

- | | |
|-----------------------------------|-----------------------------------|
| • Employer takes risk | how much they want to put into it |
| • Promise to pay through PBGC | Not required to pay |
| • Mixed money all pooled together | Each person has their own account |

Advantages of Qualified Plans

- Income Tax Deferred.
- Payroll taxes avoided
 - o No avoidance for Employee elective deferrals
 - o Tax Deferral of Earnings and Income
- Anti-Alienation
 - o Protects participant if bankruptcy
 - o Protection from Employers

Qualifications Requirements

- Plan Documents
- Eligibility
- Coverage

- Vesting
- Top Heavy Plans
- Limitations on Benefits and Contribution

Eligibility

- Age 21 and 1 year of service
- Min. Can be earlier than 21 years old.
- Special Election 2 years of service
- Six Month Rule- employee doesn't have to wait.
 - o This is why most companies have two entrance days.