

Retirement Planning



MCKAY WEALTH MANAGEMENT

Employer-Sponsored Retirement Plans

Many of us are lucky enough to work for an employer who provides some form or combination of retirement plans for our benefit. There are many different types of plans available, each with different benefits for you and your employer.

While retirement plans can come in several different “flavors,” they fall into three main categories as traditional pension plans, profit-sharing plans and savings plans. While all three types of plans are still available,

the rising cost of retirement and (hence) the rising cost of funding retirement plans has made many employers shift from traditional pension plans where the employer foots the bill, to savings plans where you are given incentives to contribute to your own retirement.



Pensions Plans

Pension Plans can come in a couple of different forms. There are plans set up so the employer says, “When you retire, I will pay you \$X each year.” Then, each year, the employer must put in enough money to make sure that there will be enough in the kitty to

fulfill the promise. The amount that they have to put into the plan will fluctuate as the workforce changes.

It’s easy to see that this type of plan would get more expensive for the employer as the employees

Here’s a quick breakdown of the types of plans available. Talk to your employer about the plan(s) he/she provides.

- Pension Plans
- Profit Sharing Plans
- Employer Sponsored Savings Plans, such as 401(k), 403(b), and 457

Points of Interest:

- EMPLOYER-SPONSORED RETIREMENT PLANS
- PENSION PLANS
- EMPLOYER-SPONSORED SAVINGS PLANS
- 401(K), 403(B), 457
- PROFIT SHARING



get older and the number of years available to fully fund the plan goes down.

Another type of plan (and more common today) is the type of pension where the employer says, “I will put \$X (or percent of your income) into a pension plan

and when you retire, we’ll see how much is in the kitty and then you can generate an income from that amount.” This type of plan is obviously better for the employer because the amount that goes into the plan is known ahead of time.

Retirement Planning

**RETIRE-
MENT
PLANS DO
NOT WORK
UNLESS
YOU USE
THEM**

Employer Sponsored Saving Plans

Employer sponsored plans are a means of stashing some serious money away for retirement. You can save exponentially more through an employer-sponsored plan than you ever could on your own.

- You decide how much to contribute up to the IRS limit and how the money is invested within the options available on the plan
- Your employer automatically takes contributions from your paycheck before tax is figured. As a result, your overall income tax is calculated on a lower amount than it was before you were making contributions, making your total income tax burden a little lighter.
- Some employers match employee contributions. So for those people not participating in these plans, they are literally walking away from free retirement money.
- Some plans also include a loan feature letting you borrow your retirement funds and then pay yourself back without incurring tax penalties. (as long as you pay it back within the IRS rules)
- You pay no income tax on contributions or any earnings on your account until money is withdrawn.

401(k), 403(b), and 457

401(k) Plan

Probably the best known type of employer sponsored savings plan, the 401(k) plan lets you set aside a portion of your income on a pre-tax basis and then invest that money for your retirement. Most employers then match part or all of the amount you put into the plan.

403(b) Tax Sheltered Annuity Plans

Employees contribute part of their salary on a pre-tax basis to the plan and the employer may match part, all, or none of that amount. Only tax-exempt 501 (c)(3) employers, such as, educational organizations, churches, tax-exempt hospitals, schools, or charities are eligible for 403 (b) tax-sheltered annuities.

Section 457 Plan

Under a Section 457 plan, employees may contribute a portion of their salary on a pre-tax basis. However, these plans are restricted to state, county, and municipal government workers or if the employer is tax-exempt, to select management and highly compensated employees.

Profit Sharing

Profit-sharing plans are the type of plan where the employer puts in a percentage toward your account; however, the employer doesn't have to make a contribution to the plan if they didn't make a profit that year. This gives the employer the

most flexibility.

Companies who provide pension plans commonly use a combination of a pension plan that requires a contribution and a profit sharing plan that lets them contribute more when business is good.

**Whatever
employer
sponsored plan
you have access
to, we encourage
you to participate
in that plan, and
contribute as
much as you can.**

Securities and Investment Advisory Services offered through:
ING Financial Partners, Inc. Member SIPC

McKay Wealth Management is not a subsidiary of nor controlled by ING Financial Partners
6000 Southcenter Blvd Suite 70 Tukwila, WA 98188