



A University of Hawai'i Cooperative Extension Service Project

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# Course Objectives



- Increase your knowledge about financial planning
- Improve your ability to make informed decisions



# Retirement Savings Plans

# Presenter



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## Lesson Objectives



- Understand the different types of retirement plans
- Learn which ones are sponsored by an employer
- Learn the difference between a ROTH IRA and a Traditional IRA

## What is a Qualified Plan?



- Set up by employer
- Eligible to receive tax benefits
- Deductible by employer
- Tax excludable by employee until withdrawn
- Interest is tax free

# Qualified Plans



- Defined Contribution
  - 401(k)
  - 403(b)
  - 457
- Profit Sharing
- Defined Benefit



# Individual Retirement Options



- Traditional IRA
  - Roth IRA
- 2015 Maximum Contribution:
- \$5,500 or
  - \$6,500 (age 50 or older)





# Traditional IRA



- Introduced in 1974 with enactment of ERISA
- Originally contributions were deductible
- Tax Reform Act of 1986 phased out the deduction for higher-earning workers
- Contributions after 70 ½ are not allowed
- Contributions may be deductible
- Tax deferred growth

# Roth IRA



- Available Jan 1, 1998 - named after Senator William Roth
- Contributions to a Roth IRA made with after tax dollars
- If you satisfy the requirements, qualified distributions are tax-free
- Contributions after 70 ½ are allowed.
- Income limitations

# Roth IRA Income Limits

2015



Filing Status	Modified AGI	Contribution
Married Filing Jointly or Qualified Widow(er)	< \$183,000	Up to the limit
	≥ \$193,000	Zero
Married Filing Separately	< \$10,000	Up to the limit
	≥ \$10,000	Zero
Single, Head of Household	< \$116,000	Up to the limit
	≥ \$131,000	Zero

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