



## You've worked hard for your money - Let us help you save it for retirement

You've decided to start saving for retirement, now what do you do? We would recommend you call an H&S Companies team member to explore the various vehicles you can utilize in achieving your goal.

Here's some basic things you need to know of retirement and retirement accounts. In the retirement world, there are two phases of any individual's life - the accumulation phase and the distribution phase.

### Accumulation Phase - Building your retirement nest egg

Most Americans know of **IRAs** and the after-tax alternative, the **Roth IRA**. Did you know that there are several vehicles you can take advantage and put away more than the IRA limits of \$5,500 (\$6,500 for those aged 50 and older)?

Small employers can take advantage of two no-frills retirement plans, the **SEP IRA Plan** and **SIMPLE IRA Plans**. Both have little to no administration and no tax return filing requirements - yes, retirement plans do need to file tax returns too. **SEP IRA Plans** are very much like profit sharing arrangements - they consist of 100% employer money. An employer decides how much they want to contribute, they determine the wages of all the eligible employees and each employee receives a pro-rata share of the total contribution based on their wage. **SIMPLE IRA Plans** are a cross between IRAs and profit sharing plans. Employees designate what they want to contribute through payroll withholding up to a maximum \$12,500 (\$15,500 for those aged 50 and older). There's also an employer contribution component to SIMPLE IRA Plans in that sponsoring employers contribute either 2% of all employee wages to employees accounts or a 3% matching contribution for those deferring payroll.

If you want to contribute more than an IRA, a Roth IRA, a SEP or a SIMPLE Plan will let you, you need to consider adopting a **Defined Contribution Plan**. These plans are commonly called 401(k)s or Profit Sharing Plans. These plans are often complex and as a result need the assistance of a pension administrator to assist an employer with its operation. These plans also need to file their own tax returns. Defined Contribution Plans bring all of the elements of the above plans under one plan plus they allow participants and employers to contribute significantly more to employees retirement accounts. Like the Simple IRA employees designate what they want to contribute through payroll withholding up to a maximum \$18,500 (\$24,500 for those aged 50 and older). While employers can design a plan that allows total contributions to an individual's account up to \$55,000 (\$61,000 for those age 50 and older.)

### Distribution Phase - Paying out what you've built up

In every retiree's life there are two individuals that will tap into their retirement accounts. The first of course is the retiree. Unfortunately, the second is Uncle Sam. Believe it or not, those tapping into their retirement accounts can actually make more of their income move from tax-free to taxable (e.g., Social Security). Additionally, taking retirement account withdrawals can also move you up a tax bracket which in turn makes all of your income more taxable.

Rather than ruin your day lamenting the pain and suffering of paying taxes, please call your H&S team member to structure your distributions so they are the most tax efficient for you.

## CONTACT US TODAY:

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