FIRMANI
Retirement Services & Consulting Group, LLC

Retirement Planning & Resource Guide

2016 Edition

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RETIREMENT PLANNING & RESOURCE GUIDE

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IRA PLANS

Traditional IRA

> **IRA: Individual Retirement Account**
>
> A tax-favored savings plan that encourages accumulation of savings for retirement

Contribution Limits

- Annual contribution limit for individuals is the lesser of $5,500 or 100% of compensation; the $5,500 limit includes contributions for both a traditional IRA and Roth IRA combined.
- Married couple's maximum annual contribution is lesser of $11,000 or 100% of compensation; each spouse must maintain his or her own separate IRA, and the $5,500 limit applies to each spouse separately.
- Catch-up provision: Workers age 50 (by the end of the calendar year) or older are permitted to make an additional $1,000 contribution, which makes the annual contribution limit $6,500 for workers who attain age 50 or older on or before Dec. 31, 2016.

IRA Eligibility and Deductibility

- Any U.S. taxpayer under age 70½ who earns compensation can make a contribution to a Traditional IRA.
- If neither the taxpayer nor the taxpayers' spouse is an active participant in an employer sponsored retirement plan, their traditional IRA contributions are deductible.
- If an individual is not an active participant in a retirement plan but the individual's spouse is a plan participant, then the non-active participant's IRA contributions are deductible if the couple's income is below a certain limit (i.e., $183,000 or less for a full deduction; more than $183,000 but less than $193,000 for partial deduction, indexed for 2016).
- If an individual is an active participant in a retirement plan their IRA contributions are deductible, provided the taxpayer's adjusted gross income (AGI) falls below a certain limit.

2016 Indexed AGI Limits for Deductible IRA Contributions

Filing Status	Full IRA Deduction	Reduced IRA Deduction	No IRA Deduction
Married, Filing Separately	None	Less than $10,000	$10,000 or more
Individual	$61,000 or less	More than $61,000 to $71,000	$70,000 or more
Married, Filing Jointly	$98,000 or less	More than $98,000 to $118,000	$118,000 or more

Traditional IRA (continued)

Distributions from Traditional IRAs

- Participants may take a withdrawal from the IRA at any time; however, the withdrawal will be subject to a 10% excise (penalty) tax, in addition to ordinary income taxes, unless the distribution qualifies under one of these exceptions:
    - Age 59½ or older
    - Substantially equal periodic payments over life or life expectancy
    - Death or disability of participant
    - Medical expenses in excess of 10% of adjusted gross income
    - Qualified higher education expenses (i.e., tuition, fees, books, supplies, etc.)
    - First home purchase ($10,000 lifetime limit)
- Required minimum distribution (as defined by the IRS) must begin no later than April 1st following the IRA owner attaining age 70½.

Target Market

- Individuals who are not currently participating in or contributing to an employer-sponsored retirement plan.
- Individuals interested in a rollover vehicle for retirement plans, such as 401(k), 457(b), 403(b), SEP IRA and SIMPLE.

Roth IRA

> **Roth IRA**
>
> A nondeductible IRA with the potential of earnings being distributed income tax free

Differences between Roth IRAs and Traditional IRAs

- Roth IRA contributions are made on an after-tax basis; contributions to traditional IRAs may be tax deductible, depending on whether the individual participates in a retirement plan and their AGI. Contributions to Roth IRAs are not deductible.
- Roth IRA earnings may qualify for tax free distributions, traditional IRA earnings do not qualify for tax free distributions.
- Withdrawals from Roth IRAs are distributed "investment in the contract," or basis, first.
- Pre-death required minimum distribution rules do not apply to Roth IRAs but do apply to traditional IRAs.

Contribution Limits (Roth IRAs and Traditional IRAs)

- Annual contribution limit for individuals is the lesser of $5,500 or 100% of compensation; this $5,500 limit applies to combined contributions to both a traditional IRA and Roth IRA. An individual of any age who earns compensation may establish or contribute to a ROTH IRA in the year compensation is earned.

Caveat:

- Full contribution is permitted for single taxpayers with modified adjusted gross income (MAGI) up to $116,000.
- Contributions are phased out for single taxpayers with MAGI between $116,000 to $131,000.

- A married couple's maximum annual individual contribution is the lesser of $5,500 or 100% of compensation; each spouse must maintain his or her separate traditional and/or Roth IRA. The $5,500 limit applies separately to each spouse.

Caveat:

- Full contribution is permitted for married joint filers with MAGI up to $183,000.
- Contributions are phased out for married joint filers with MAGI between $183,000 to $193,000.
- Contributions are phased out for a married filer who files separately between $0 to $10,000 MAGI.
- Contributions are phased out for single, head of household filers between $116,000 to $131,000.

- Catch-up provision: workers age 50 (by the end of the calendar year) or older are permitted to make an additional $1,000 contribution for 2016, for a total 2016 contribution of $6,500.

Roth IRA (continued)

Two Requirements for Roth IRA Earnings to be Distributed Tax Free

- Distributions must be made after the five-year holding period has been satisfied.
- Distributions must be made under one of the four conditions:
  - Owner is at least 59½ years old
  - Distribution is paid to a beneficiary at death of owner and the five-year holding period is satisfied
  - Owner is disabled
  - Withdrawal is made to pay qualified first-time homebuyer expenses ($10,000 lifetime limit)

Penalty-Free Withdrawals

- Owner can withdraw money prior to age 59½ from a Roth IRA (or traditional IRA) and avoid the 10% excise (penalty) tax on the taxable portion of the distribution (if any), for any of the following reasons:
  - Death
  - Disability
  - Substantially equal periodic payments over life or life expectancy
  - Medical expenses in excess of 10% of adjusted gross income
  - New home purchase ($10,000 lifetime limit)
  - Qualified higher education expenses (i.e., tuition, fees, books, supplies)

Conversions from Traditional IRA to Roth IRA

Money can be converted from a traditional IRA to a Roth IRA regardless of the owner's age, income level or tax filing status. The amount converted is taxed to the owner in the year of the Roth conversion.

Target Market

The Roth IRA is most tax efficient when the owner will be in a higher tax bracket at retirement than at the time of the Roth IRA contribution or conversion:

- A tax-free source of income allows the owner greater flexibility in liquidating other taxable assets at retirement.
- There is no requirement to take distributions during a Roth IRA owner's lifetime.
- A Roth IRA may be an appropriate choice if the individual expects to defer the start of distributions past the date they attain age 70½**,** or does not expect to take Roth IRA distributions during their lifetime.

SEP IRA

> **SEP: Simplified Employee Pension**
>
> Small employer retirement plan using an IRA as the funding/investment vehicle

Employer Contribution Limits

- Employer contribution limit is the lesser of 25% of employee's salary ($265,000 salary cap as indexed for 2016) or $53,000 (this amount may be less for highly compensated employees).
- The employer must contribute an equal percentage for the benefit of all eligible employees with immediate vesting; for example, if a business owner contributes 8% to his or her account, the employer must contribute 8% for all eligible employees, if using IRS Form 5305.
- Employer contributions only; employee salary deferrals are not permitted (exception: SAR-SEP plan); SAR-SEP plans, established prior to Jan. 1, 1997, permit employee salary deferrals.
- Employer contributions, which are determined on a year-to-year basis, are typically discretionary.

Employee Eligibility Requirement

- Participant must have been employed by the company during at least three of the last five preceding years.
- Employee must typically be age 21 or older (however, employer can set plan eligibility age at 18) and have received at least $600 in compensation (as indexed for 2016).

Key Points

- Loans from SEP IRAs are not permitted.
- Distributions are taxed as ordinary income, the same as IRA distributions.
- Less flexible than a Profit Sharing Plan or 401(k) Plan.

Target Market

- Small employers, sole proprietors or small nonprofit organizations with a limited benefit budget looking to establish their first retirement plan, which is easy to administer.
- Additional factors favoring a SEP IRA: no filing requirements, limited fiduciary liability and more cost-effective administration, as compared to a 401(k) or other profit-sharing retirement plan.

SIMPLE IRA

SIMPLE: Savings Incentive Match Plan for Employees

Small employer retirement plan using an IRA as the funding vehicle

Contribution Limits

- Employer contribution limit (employer must select from these two options):
  - 100% match provided on the first 3% of employee's salary deferral (participating employee).

    Example: If an employee defers 5% of salary into a SIMPLE IRA, the employer must contribute 3% in employee's account. if employee defers 1% of salary, employer must contribute 1%.
    - If employer elects this option, the maximum employer contribution is $12,500 (indexed for 2016).
  - 2% non-elective contribution provided for all eligible employees (regardless of participation).
    - If employer elects this option, the maximum employer contribution is $5,300 ($265,000 cap x 2%).
- Employee deferral limit: $12,500 per plan year (indexed for 2016); up to 100% of compensation.
  - Employees age 50 (by the end of the calendar year) or older are permitted an additional $3,000 catch-up contribution for 2016, if the plan permits, for a total elective deferral of $15,500.

Plan Eligibility Requirements

- Any type of business with 100 or fewer employees may establish a SIMPLE IRA; however, no other qualified plan, 403(b), SEP IRA or 457 plan can be maintained.
- Employer must notify participants of 60-day election period prior to the calendar year-end to elect salary deferral or modify a prior election; the adoption deadline is therefore Nov. 1.
- Employer must provide employee with a Summary Plan Description and account statements within 30 days of the end of a calendar year (contributions must be made between Jan. 1 and Dec. 31).
- Employer must cover any employee who earned $5,000 in any two previous years and is expected to earn $5,000 during current year (exception: employees subject to collective bargaining).

SIMPLE IRA (continued)

Key Points

- SIMPLE IRAs replaced SAR-SEP IRA plans on Jan. 1, 1997.
- Withdrawals can't be restricted; however, withdrawals within the first two years of the employee's initial contribution are subject to a 25% penalty tax in addition to income tax.
- All contributions (employer and employee) are 100% vested immediately.
- Participant loans are not permitted.
- No discrimination testing, annual reporting or administration cost is required of the employer.
- No discrimination testing is required by the employer, meaning highly compensated employees can defer up to $12,500 annually, regardless of the amount lower paid employees defer.

Penalty Tax

- Distributions prior to age 59½ will be subject to a 10% early withdrawal penalty unless such distribution qualifies for one of the following exceptions:
  - Death
  - Disability
  - Substantially equal periodic payments over life or life expectancy of SIMPLE IRA owner
  - Medical expenses in excess of 10% of adjusted gross income
  - Distributions to a nonparticipant pursuant to a qualified domestic relations order (QDRO)

Target Market

- Small nonprofit organizations and small employers with limited benefits budgets looking for a retirement plan that is inexpensive and easy to administer may find a SIMPLE IRA to be a good fit.
- Employers with 401(k) plans in force may not care to switch to a SIMPLE IRA plan because 401(k)s are more flexible and allow the direction of contributions to a targeted group of employees.

SIMPLE 401(k)

SIMPLE 401(k): Savings Incentive Match Plan for Employees

Small employer retirement plan using a simplified 401(k) as the funding vehicle

Contribution Limits

- Employer contribution requirement (employer must select from these two options):
  - 100% match provided on the first 3% of the employee's salary deferral (participating employee).

    EXAMPLE: if an employee defers 5% of salary into a SIMPLE 401(k), the employer must contribute 3% in employee's account. If employee defers 1% of salary, employer must contribute 1%.
    - If employer elects this option, the maximum employer contribution is $7,950 per participant ($265,000 cap x 3% in 2016).
  - 2% non-elective contribution provided for all eligible employees (regardless of participation).
    - If employer elects this option, the maximum employer contribution is $5,300 per participant ($265,000 cap x 2%).
- Employee deferral limit: $12,500 per plan year (indexed for 2016); up to 100% of compensation.
  - Employees age 50 (by the end of calendar year) or older are permitted an additional $3,000 catch-up contribution for 2016, for a total contribution limit of $15,500.

Plan Eligibility Requirements

- Any nongovernmental business with 100 or fewer employees may establish a SIMPLE 401(k); however, no other qualified plan, 403(b) or SEP IRA plan can be maintained.
- Employer must notify participants of 60-day election period prior to the calendar year-end to elect salary deferral or modify a prior election; the adoption deadline is therefore Oct. 1.
- Employee withdrawals cannot be restricted but are subject to income tax and a possible 10% penalty tax.
- Employees are eligible to contribute if they've earned $5,000 and are 21 years of age or have 1,000 service hours in a prior year (employer may exclude nonresident aliens and certain union employees).
- The plan must be maintained on a calendar-year basis (i.e., contributions are made from Jan. 1 to Dec. 31).

SIMPLE 401(k) (continued)

Key Points

- All contributions (employer and employee) are immediately 100% vested.
- Participant loans are permitted (if allowed by the plan document).
- No discrimination testing or top-heavy[1] testing is required by the employer.
- Employers with SIMPLE 401(k) plans are subject to administrative expenses for plan document filing and amendments, Form 5500 Schedule A IRS filing and IRC Sec. 415 limit testing.

Penalty Tax

- Distributions prior to age 59½ will be subject to a 10% early withdrawal penalty unless such distribution qualifies for one of the following exceptions:
    - Death
    - Disability
    - Substantially equal periodic payments over life or life expectancy of the participant
    - Medical expenses in excess of 10% of adjusted gross income
    - Separation from service after age 55 (one-time exception)
    - Distributions to a nonparticipant pursuant to a qualified domestic relations order (QDRO)

Target Market

- SIMPLE 401(k) plans are more attractive than a SIMPLE IRA plan for businesses interested in loan provisions, more restrictive hours requirements for eligibility, exclusion of employees under age 21 or bankruptcy protection under the Employee Retirement Income Security Act (ERISA).

1 A plan is considered to be top heavy if the employer's contributions to key employee accounts are greater than 60% of the employer contributions to non-key employee accounts.

SIMPLE IRA and SIMPLE 401(k): Major Differences

	SIMPLE IRA	SIMPLE 401(k)
Employee Eligibility Requirements	Any Employee earning $5,000 or more in any two prior years and expected to earn $5,000 in the current year	Any employee earning $5,000 and the later of 21 years of age or 1,000 service hours in a prior year (may be less pursuant to plan terms)
Employee Deferral Limit	$12,500 per plan year, up to 100% of compensation	$12,500 per plan year, up to 100% of compensation
Employer Contribution Limit	If the employer elects the 3% deferral option, up to $12,500 annually per participant	If the employer elects the 3% deferral option, up to $7,950 annually ($265,000 x .03); If the employer elects the 2% deferral option, up to $5,300 annually ($265,000 x .02) Limits are per participant
Participant Loans	Not permitted	Permitted if allowed by plan document
Rollovers	Permitted to IRA without penalty only after two years – may roll into another SIMPLE IRA prior to two years	Permitted to IRA or qualified plan immediately
Excise Tax	Withdrawals during the first two years subject to a 25% excise tax; 10% thereafter until employee attains age 59½	Withdrawals subject to 10% penalty tax on distributions prior to age 59½
Competitive Advantage	Minimal administration expenses, and no 5500 filings or 415 limit testing required	Loans permitted; may have more restrictive eligibility requirements; exclusion of employees under 21; and bankruptcy protection under ERISA

Defined-Benefit Pension Plan

Employer Contribution Limits

- Annual Benefits are limited to the lesser of $210,000 or 100% of the employee's highest three years' (consecutive) compensation (indexed for 2016).
- Annual compensation taken into account for benefit calculations is $265,000 (indexed for 2016).
- Contribution amount is based on actuarial assumptions and computations; consequently, an actuary must determine the plan deductible contribution limit.

Defined-Benefit Pension Plan

A retirement plan in which contributions are based on what is needed to provide a determinable future benefit to the plan participants

Key Points

- Allows an employer to create substantial retirement benefits for employees.
- Can be paired with a defined contribution plan to provide additional benefits.

412(e)(3) Plan

412(e)(3) Plan Opportunities

- Exempt from minimum funding requirements because plan is fully funded.
- Tax deductible contributions are not subject to minimum funding rules which results in contributions that may be larger than contributions to a traditional defined benefit plan.

412(e)(3) Plan

A defined benefit plan funded exclusively with annuities or a combination of annuities and life insurance to create a guaranteed retirement income benefit

How it Works

The plan trustee purchases annuities or a combination of annuities and life insurance for each participant in the plan.
Premium payments are made to the insurance contracts each year for the purpose of funding the future retirement benefit for each participant.

- The plan must be level funded and must begin when the participants are eligible and must end no later than the normal retirement date. No loans are allowed.

Target Market

- Used by small businesses (often 10 or fewer employees) that are stable, profitable and have significant and consistent cash flow.

Cash Balance Plan

Cash Balance Plan

A hybrid defined benefit plan that combines features of Defined Contribution and Defined Benefit Plans.

Employer Contributions Limits

- Annual compensation taken into account for benefit calculations is $265,000 (indexed for 2016).
- Formula may be based on either a lump sum or an accrued benefit.
- Contribution amount is based on actuarial assumptions and computations; consequently, an actuary must determine the plan deductible contribution limit.

Key Points

- Like a defined benefit plan, there is a specified benefit at retirement.
- Like a defined contribution plan, each participant has an account balance although it is hypothetical.
- The employer must contribute an amount determined by an actuary.
- Unlike defined benefit plans, cash balance plans typically offer a lump sum distribution option at retirement, termination of employment, death and disability.
- Cash Balance Plan may be combined with a 401(k) profit sharing plan to enhance the overall plan design.

Advantages

- The account balance approach may have more meaning for younger employees further away from retirement age.
- Provides portability not provided by a traditional defined benefit plan.
- Tax deduction for the contribution can be significantly higher than a defined contribution plan.

Profit Sharing Plan

401(a) Plan

A qualified plan set up as either a Profit-Sharing Plan or Money-Purchase Plan

Employer Contribution Limits

- Individual employee limit is the lesser of $53,000 or 100% of the employee's compensation (indexed for 2016)
    - Employer contributions are discretionary from year to year. However recurring contributions may be made.
    - The employer deductible limit is up to 25% of total considered compensation. Compensation is limited to $265,000 per participant (indexed for 2016).

Employee Contribution Limit

- Non discriminatory amount of after-tax contributions provided allowed by plan document.
    - Employee contributions are 100% vested at all times.

Profit Sharing Allocation Formulas

- Non Integrated
- Integrated with Social Security
- Cross Tested
    - New Comparability
    - Age Weighted

Money Purchase Plan

Employer Contribution Limits

- The employer deduction limit is up to 25% of considered compensation. Compensation is limited to $265,000 per participant (indexed for 2016).
  - Individual employee limit is the lesser of $53,000 or 100% of employee's salary (indexed for 2016).
  - Employer contributions are mandatory and are typically based on a percentage of the employee's compensation.
  - Employee after tax contributions may be permitted.

Key Points

- Profit Sharing Plan is considered to be the most flexible plan design due to ability to change contribution amount from year to year.
- Money Purchase Plan may be less desirable due to mandatory annual employer contributions.

Target Market

- Employers who are seeking to attract and retain employees.
- Employers who desire to provide a retirement benefit without the complexity of a defined benefit plan.

Traditional 401(k) Plan

> **401(k) Plan**
>
> A qualified profit-sharing plan with a salary deferral feature

Employer Contribution Limits

- Employer deduction limit is 25% of considered compensation. Employee salary deferral contributions are considered employer contributions.
- Individual employee limit is the lesser of $53,000 or 100% of salary (Indexed for 2016)
  - Individual limit includes salary deferral amounts contributed by participant.
  - Employer contributions may be attributable to either an employer discretionary contribution or a match contribution (based on employee's deferral amount) or both.

Employee Deferral Limit

- $18,000 per plan year (Indexed for 2016) up to100% of compensation.
  - Employee deferrals are 100% vested immediately.
  - Employees age 50 or older are permitted to make a catch up contribution up to $6,000 (Indexed for 2016) for a total deferral limit of $24,000.

Key Points

- Participant loans may be allowed.
- Upon separation of service a participant's vested account balance may be rolled into an IRA or another qualified plan, provided the receiving qualified plan allows for the acceptance of rollovers.
- Withdrawals from 401(k) plans are restricted. The plan document will define the withdrawal features of the plan.
- Distributions occur from a triggering event. These include termination of employment, death, disability and retirement. The plan document will define the distribution features along with the timing of when the distribution will occur.

IRS Required Testing

- **Actual Deferral Percentage Test (ADP):** A nondiscrimination test required for plans that allow employee deferrals. The deferral percentage that the highly compensated employees can make is directly related to that of the non highly compensated employees. The simple rules are if the ADP for the non highly compensated employees is less than 2%, the ADP highly compensated employees is up to two times. If the ADP for the non highly compensated employees is between 2% and 8%, the ADP for the highly compensated employees can be 2 percentage points higher. If the ADP for the non highly compensated employees is more than 8%, the ADP for the highly compensated employees can be up to 1.25 times higher.

Traditional 401(k) Plan (continued)

- **Actual Contribution Percentage Test (ACP):** A nondiscrimination test for plans that provide a matching contribution. A plan satisfies the ACP test for a plan year if:
  1) The ACP for the eligible highly compensated employees for the plan year is not more than the ACP for the non highly compensated employees multiplied by 1.25; or
  2) The excess of the ACP for the highly compensated employees for the year over the ACP for the non highly compensated employees for the year is not more than 2 percentage points, and the ACP for the Highly Compensated employees is not more than the ACP for the non highly compensated employees multiplied by 2.

Target Market

- Provides an opportunity to engage employees in their own retirement planning.
- A method for the retention and attraction of employees.

Safe Harbor 401(k) Plan

Safe Harbor 401(k) Plan

A 401(k) plan that does not require the ADP test or the ACP test, provided the safe harbor requirements are met.

Safe Harbor Formula

- One of the two methods must be followed:
  - Employer matching contribution of 100% of the first 3% of participant deferrals and 50% of the next 2% of deferrals; or
  - 3% non elective employer contribution

Target Market

- Businesses that expect or are experiencing low participation by the employees in their current 401(k) plan.
- Businesses that are looking to eliminate the Actual Deferral Percentage (ADP) testing and/or the Actual Contribution Percentage (ACP) testing required by their current 401(k) plan.

Designated Roth 401(k) Accounts

401(k) designated Roth contributions are after-tax salary contributions that can be accepted by 401(k) plans allowing such contributions.

- If a 401(k) plan adopts a designated Roth account feature, employees can designate some or all of their elective contributions as designated Roth contributions, which are included in gross income, rather than having them classified as traditional, pre-tax elective contributions.
- Designated Roth contributions must be kept separate from previous and current 401(k) pre-tax elective contributions; a separate, designated Roth account must be established for each participant making designated Roth contributions.
- Once payment is designated as a Roth contribution, it cannot later be changed to a pre-tax elective contribution.

The American Taxpayer Relief Act of 2012(ATRA) expanded in-plan Roth conversion rules to 2016 and beyond. Participants in 401(k), 403(b) and 457 retirement plans offering a designated Roth account can convert any non-Roth account to a Roth account within the plan, regardless of whether it is otherwise distributable from the retirement plan at the time of conversion. The new rule does not allow transfers out of the plan to a Roth IRA. As under prior law, converted amounts are subject to tax as ordinary income and not subject to mandatory withholding or 10% early withdrawal penalty.

Employee Contribution: An employee can make contributions to both a designated Roth 401(k) account and to a pre-tax 401(k) account in the same year and in any proportion. However, the combined amount contributed in any one year is limited by the 402(g) limit – $18,000 for 2016 (plus an additional $6,000 in catch-up contributions if age 50 or older) for a total contribution limit of $24,000.

Employer Contributions: Only an employee's designated Roth contributions can be made to designated Roth 401(k) accounts.

Penalty-free Withdrawals: Earnings will be included in gross income unless the participant has maintained a Roth 401(k) account for five years and is either disabled or over age 59½.

401(k) Mirror Nonqualified Deferred Compensation Plan

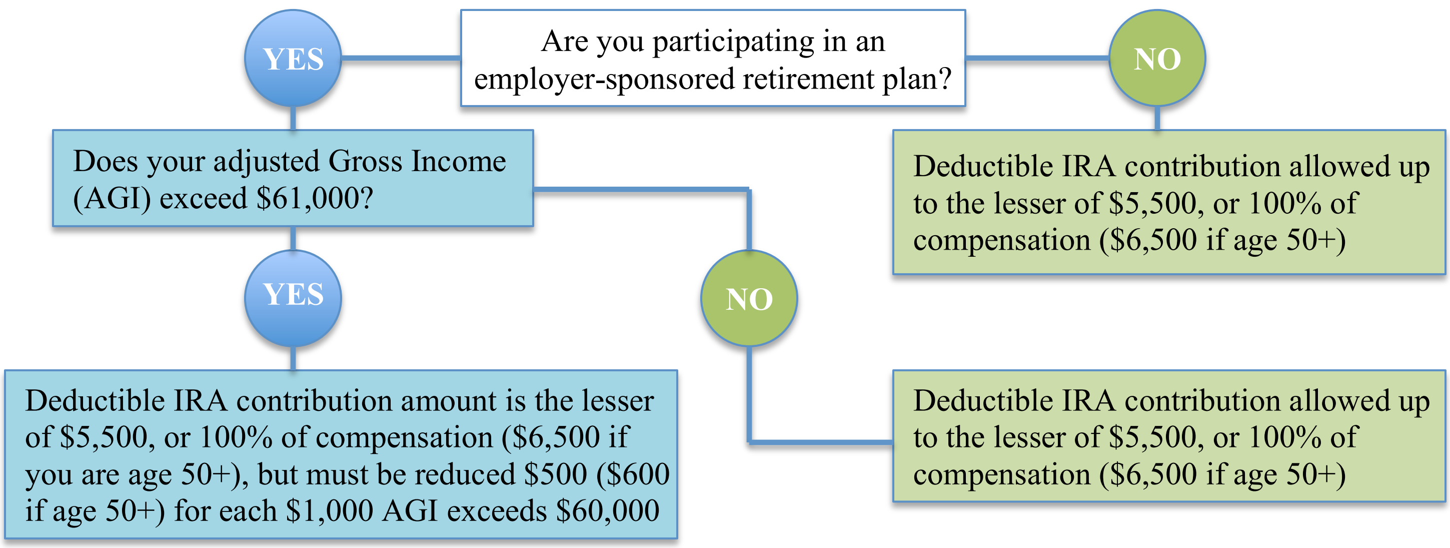
A nonqualified plan, sometimes used in conjunction with a 401(k) plan, may include a corporate-owned life insurance policy as part of this plan, which allows highly compensated employees to reduce their taxable wage base by contributing pre-tax dollars. It is not restricted by qualified plan rules. The employer cannot take a deduction for the amount deferred into the plan at the time of deferral. The employer's deduction is taken when the benefit is paid to the employee.

- Primary goal is to attract, retain, reward and retire key employees by providing an additional deferral option above amounts allowed with a traditional 401(k) plan.
- A rabbi trust is sometimes used to segregate the assets in the event of a change in company management.
- Participants cannot make up more than 25% of the total number of employees and must be "highly compensated" or "management" personnel.

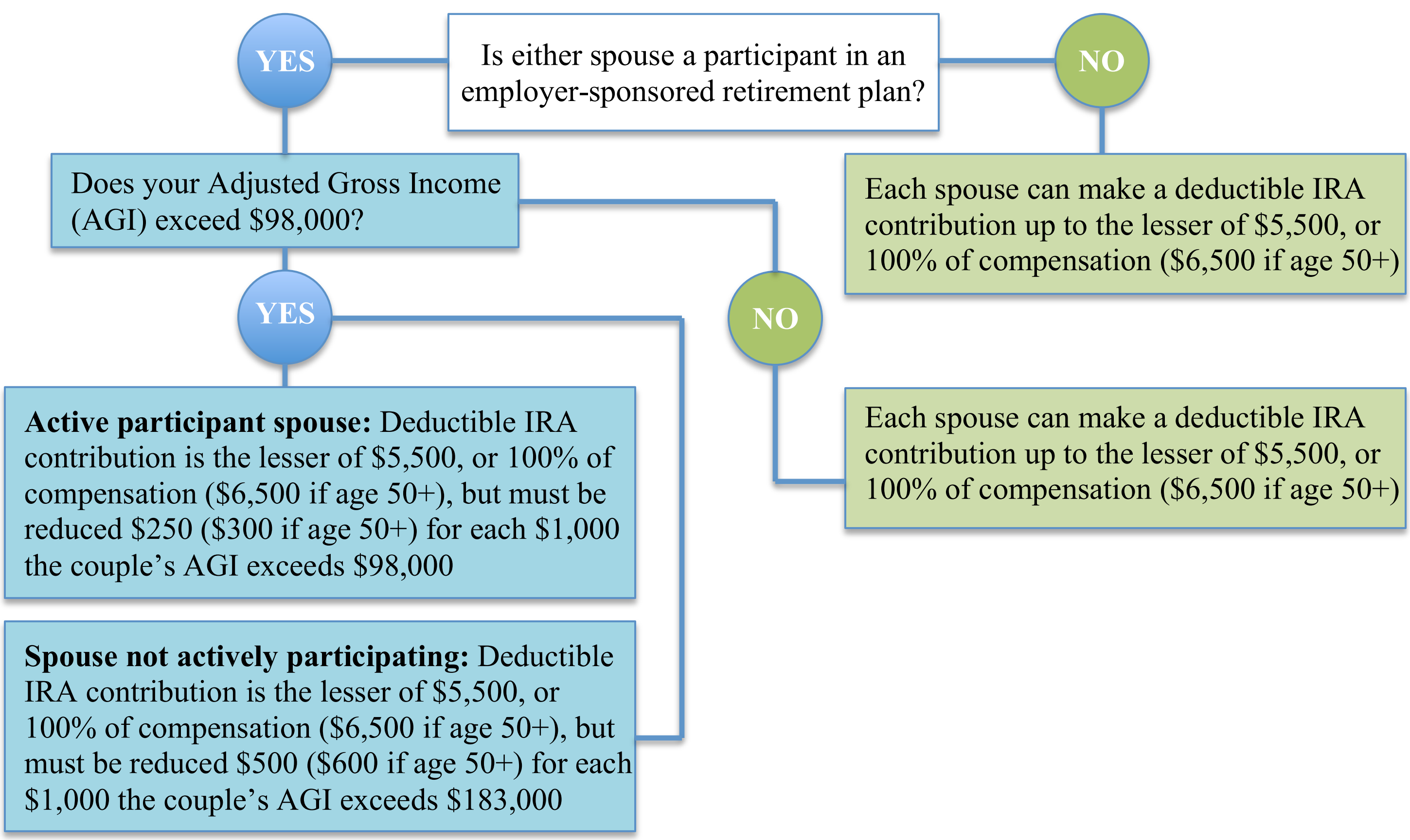
IRA Flow Chart

2016 Traditional IRA Contributions

Single Taxpayer



Married Couple Filing Jointly – Both Employed



2016 Traditional IRA Contributions (Continued)

Married Couple Filing Jointly – Only One Employed

Is the working spouse a participant in an employer-sponsored retirement plan?

YES

Does your adjusted Gross Income (AGI) exceed $98,000?

YES

A working spouse may contribute
(a) a deductible amount to the IRA equal to $5,500, or 100% of compensation ($6,500 if age 50+), but must be reduced $250 ($300 if age 50+) for each $1,000 AGI exceeds $98,000, and
(b) a deductible amount to the non-working spouse's IRA equal to $5,500, or 100% of compensation ($6,500 if age 50+), but must be reduced $500 ($600 if age 50+) for each $1,000 AGI Exceeds $183,000

NO

A deductible contribution up to the lesser of $5,500, or 100% of compensation can be made to both the IRA of the working spouse who's not an active participant in an employer-sponsored plan, and to a spousal IRA for the non-working spouse ($6,500 if age 50+)

NO

A deductible contribution up to the lesser of $5,500, or 100% of compensation can be made to both the employer-sponsored IRA and a spousal IRA for the non-working spouse ($6,500 if age 50+)

IRA Flow Chart

2016 Roth IRA Contributions

Single Taxpayer

Is your Modified Adjusted Gross Income (MAGI) more than $116,000?

YES: Nondeductible Roth IRA contribution amount is the lesser of $5,500, or 100% of compensation ($6,500 if age 50+), but must be reduced $333.33 ($400 if age 50+) for each $1,000 the MAGI exceeds $116,000, and further reduced dollar-for-dollar for traditional IRA contributions

NO: You may make a Roth IRA contribution up to the lesser of $5,500 ($6,500 if 50+) or 100% of compensation, reduced dollar-for-dollar for traditional IRA contributions

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Married Couple Filing Jointly – Both Employed

Does your MAGI exceed $183,000?

YES: Nondeductible Roth IRA contribution amount is the lesser of $5,500, or 100% of compensation ($6,500 if age 50+), but must be reduced $500 ($600 if age 50+) for each $1,000 the couple's MAGI exceeds $183,000, and further reduced dollar-for-dollar for traditional IRA contributions

NO: Each spouse can make a Roth IRA contribution up to the lesser of $5,500 ($6,500 if 50+) or 100% of compensation, reduced dollar-for-dollar for traditional IRA contributions

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Married Couple Filing Jointly – Only One Employed

Does your MAGI exceed $183,000?

YES: Nondeductible Roth IRA contribution amount equal to $5,500, or 100% of compensation ($6,500 if age 50+), but must be reduced $500 ($600 if age 50+) for each $1,000 the couple's MAGI exceeds $183,000, to both Roth IRA and spousal Roth IRA for the non-working spouse, reduced dollar-for-dollar for traditional IRA contributions

NO: A working spouse may contribute the lesser of $5,500 ($6,500 if 50+) or 100% of compensation to both their Roth IRA and spousal Roth IRA for the non-working spouse, reduced dollar-for-dollar for traditional IRA contributions

Retirement Plan Comparison Chart | 2016

Plan Type:	SEP IRA	Profit Sharing	401(k)
Key Features	Easy administration, Life insurance is not permitted; Contributions discretionary; Contributions may be deductible by employer. Employer must include eligible employees.	Tax-deferred investment; Flexibility in plan design; Contributions discretionary; Contributions may be deductible by employer.	Tax-deferred investment; Flexibility in plan design; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. Defined benefit plan sponsor can also adopt.
Contributors	Employer only	Employer only	Employee and optional Employer
Contribution Flexibility	Yes	Yes	Yes
Maximum Eligibility Requirements	Age 21 with two years of service[2]	Age 21 with two years of service[2]	Age 21 and one year of service
Contribution Limits[1]	**Employer:** 25% of each employee's compensation. **Individual:** The lesser of 100% of compensation or $53,000	**Employer:** 25% of eligible employee compensation. **Individual:** The lesser of 100% of compensation or $53,000	**Employer:** 25% of eligible employee compensation. **Individual:** The lesser of 100% of compensation or $53,000 (including salary deferrals).
Contribution Due Date	By employer's tax filing date, including extensions.	By employer's tax filing date, including extensions.	**Employee** deferrals must be deposited no later than the 7th business day following the date the employee would have received the contributions (payday); **Employer** contribution by the tax filing date, including extensions.
Maximum Annual Salary Deferral	Not applicable	Not applicable	$18,000
Catch-up Contrib. for Participants age 50	Not applicable	Not applicable	$6,000
Vesting in Employer Contribution (Top Heavy)	100% Immediate	May be graded up to six years	May be graded up to six years
When Established	Anytime prior to tax filing deadline, including extensions	Prior to fiscal year end	Prior to fiscal year end
Form 5500 Reporting	No	Yes	Yes

1 Compensation is limited to $265,000 per year. the self-employed contribution limit is based on net income (gross income less the contribution and one half of the self-employment tax).
2 100% Immediate vesting is mandatory.
3 Simple IRA: For any two years out of five, employer may have a lower match, but not less than 1.0%.

INNOVATIVE RETIREMENT PLANS FOR SMALL BUSINESSES

Retirement Plan Comparison Chart | 2016

Plan Type:	Safe Harbor 401(k)	SIMPLE 401(k) or SIMPLE IRA	Defined Benefit, 412(e)(3) Fully Insured Plan or Cash Balance Plan
Key Features	Tax-deferred investment; Highly compensated employees may defer the maximum amount; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. Defined benefit plan sponsor can also adopt.	Tax-deferred investment; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. A SIMPLE 401(k) or SIMPLE IRA must be the exclusive plan. Employee limit: 100 or fewer.	Contributions may be higher than other types of retirement plans; Generally favors older, highly compensated employees.
Contributors	Employee and Employer	Employee and Employer	Employer Only
Contribution Flexibility	Mandatory Safe Harbor contribution: Employer contribution is 3% of compensation; Or, match is 100% on the first 3% of deferrals, plus 50% on deferrals between 3% and 5% of compensation. Additional discretionary profit sharing contribution is allowed.	The employer must make either a matching or non-elective contribution.	No
Maximum Eligibility Requirements	Age 21 and one year of service	**401(k):** Age 21 and one year of service **IRA:** Employees earning $5,000 in current year and any two prior years	Age 21 with two years of service[2]
Contribution Limits[1]	**Employer:** 25% of eligible employee compensation. **Individual:** The lesser of 100% of compensation or $53,000 (including salary deferrals).	**Employer:** 100% match on 3% of compensation[3], Or, a 2% employer contribution to all eligible employees. No other contribution is permitted.	Based on benefit formula. $210,000 maximum annual benefit
Contribution Due Date	**Deferrals** must be deposited no later than the 7th business day following the date the employee would have received contributions (payday) **Employer contributions** by the tax filing date, including extensions.	**Salary deferrals** to the SIMPLE IRA must be made within 30 days after the end of the month in which the amounts would have been payable to the employee. **Employer contribution** by the tax filing date, including extensions.	**Defined Benefit:** By the employer's tax filing date, including extensions, but no later than 8½ months after plan year end. **412(e)(3) Fully Insured:** Beginning of plan year.
Maximum Annual Salary Deferral	$18,000	$12,500	Not Applicable
Catch-up Contrib. for Participants age 50	$6,000	$3,000	Not Applicable
Vesting in Employer Contribution (Top Heavy)	100% Vesting on Safe Harbor contributions. Profit Sharing contribution may be graded up to six years	100% Immediate	May be graded up to six years
When Established	Prior to October 1	Prior to October 1	Prior to fiscal year end
Form 5500 Reporting	Yes	Yes: SIMPLE 401(k) N0: SIMPLE IRA	Yes

1 Compensation is limited to $265,000 per year. the self-employed contribution limit is based on net income (gross income less the contribution and one half of the self-employment tax).
2 100% Immediate vesting is mandatory.
3 Simple IRA: For any two years out of five, employer may have a lower match, but not less than 1.0%.

Retirement Plan Limits | 2016

TYPE OF LIMITATION	2015	2016
Annual Compensation Limit	$265,000	$265,000
Defined Benefit Annual Limit	$210,000	$210,000
Defined Contribution Annual Limit	$53,000	$53,000
401(k), 401(b), 457(b) Deferral Limit	$18,000	$18,000
401(k), 401(b), 457(b) Catch-Up Limit (age 50)	$6,000	$6,000
SIMPLE Contribution Limit	$12,500	$12,500
SIMPLE Catch-Up Limit (age 50)	$3,000	$3,000
Highly Compensated Employee (compensation in the prior year exceeding)	$120,000	$120,000
Officer as Key Employee	$170,000	$170,000
Social Security Taxable Wage Base	$118,500	$118,500
SEP Minimum Compensation	$600	$600

Source: IRS News Release, Oct. 21, 2015

Retirement Plan
Contribution Limits by Plan Type | 2016

Owner Age	30	35	40	45	50	55	60
Salary	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000	$265,000
RETIREMENT PLAN OPTIONS							
SIMPLE Salary Deferrals	$12,500	$12,500	$12,500	$12,500	$15,500	$15,500	$15,500
401(k) Salary Deferrals	$18,000	$18,000	$18,000	$18,000	$24,000	$24,000	$24,000
SEP	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000	$53,000
401(k) Profit Sharing Plan	$53,000	$53,000	$53,000	$53,000	$59,000	$59,000	$59,000
Defined Benefit Pension Plan*	$59,247	$75,940	$97,521	$132,571	$161,914	$206,925	$214,772**
412(e) Defined Benefit Plan*	$64,499	$82,237	$109,215	$153,188	$238,472	$316,725	$312,173**

* assumes retirement age of 62
** assumes retirement age of 65

Contributions are sample illustrations and actual contributions may vary.
Contributions are calculated based upon individual census data.

ABOUT US

Firmani Retirement Services & Consulting Group, LLC is an independent consulting firm specializing in retirement plan management for small and medium size companies as well as retirement planning for individuals. With more than 50 years of combined experience we are here to navigate you to a successful retirement.

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