Retirement Plans

401(k)
A defined contribution plan where an employee has an amount deducted from their paychecks and put into a 401(k) account. The employee often selects the investments from their options offered in the plan. In some plans, the employer also makes contributions such as, matching the employee's contributions up to a certain percentage.

403(b) / TSA
A retirement plan offered by public schools and certain tax-exempt organizations. An individual's 403(b) annuity can be obtained only under an employer's TSA plan. Generally, these annuities are funded by elective deferrals made under salary reduction agreements and non-elective employer contributions.

457 Plan
A tax-exempt deferred compensation program made available to employees of state and federal governments and agencies. It is similar to a 401(k) plan, except there are never employer matching contributions and the IRS does not consider it a qualified retirement plan. Participants can defer some of their annual income (up to an annual limit), and contributions and earnings are tax-deferred until withdrawal. Distributions start at retirement age but participants can also take distributions if they change jobs or in certain emergencies. Participants can choose to take distributions as a lump sum, annual installments or as an annuity. Distributions are subject to ordinary income taxes and the amounts cannot be transferred into an IRA.

Employee Stock Ownership Plan (ESOP)
A qualified, defined contribution, employee benefit (ERISA) plan designed for employees to invest primarily in the stock of their employer. ESOPs are "qualified" in the sense that the ESOP's sponsoring company, the selling shareholder and participants receive various tax benefits.

Individual Retirement Account (IRA)
A tax-deferred retirement account for an individual that permits individuals to set aside money each year, with earnings tax-deferred until withdrawals begin at age 59 1/2 or later (or earlier, with a 10% penalty).

Keogh Plan / H.R. 10
A federally approved retirement program that permits self-employed individuals to set aside for savings up to a specified amount. All contributions and income earned by the account are tax deferred until withdrawals are made during retirement. Investment opportunities include certificates of deposit, mutual funds, and self-directed brokerage accounts.

Money Purchase Plan

A money purchase plan requires set annual contributions from the employer to individual accounts and is subject to certain funding and other rules.

Non-Qualified Plans

Any type of tax-deferred, employer-sponsored retirement plan that falls outside of employee retirement income security act (ERISA) guidelines. Non-qualified plans are designed to meet specialized retirement needs for key executives and other select employees. These plans also are exempt from the discriminatory and top-heavy testing that qualified plans are subject to.

Profit Sharing Plan

A defined contribution plan under which the plan may provide, or the employer may determine, annually, how much will be contributed to the plan (out of profits or otherwise). The plan contains a formula for allocating to each participant a portion of each annual contribution. A profit-sharing plan may include a 401(k) plan.

Roth Plans

Designated Roth contributions are elective contributions that, unlike pre-tax elective contributions, are currently includible in gross income. However, the investments grow tax free and earnings may be withdrawn tax free after age 59 1/2 as long as the account has been open 5 years, or if you are disabled or after death.

Simplified Employee Pension Plan (SEP)

A retirement plan that an employer or self-employed individuals can establish. The employer is allowed a tax deduction for contributions made to the SEP plan and makes contributions to each eligible employee's SEP IRA on a discretionary basis.

Salary Reduction Simplified Employee Pension Plan (SARSEP)

A plan offered by small companies - typically those with fewer than 25 employees - that allows employees to make pretax contributions to their Individual Retirement Accounts (IRAs) through salary reduction.

Thrift Plans

A retirement account in which an employee and an employer each make contributions up to a certain limit throughout the working life of the employee, usually on a before-tax basis. Under a thrift plan, a worker places a portion of his/her pre-tax income into an account and allows it to be invested. Taxation is deferred until withdrawal from the account, generally after retirement. It is important to note, however, that unlike some retirement plans, the employer makes a defined contribution to the account as well.

And any others employers may offer!