

Waterford Financial Group, LLC

- Comparison of Retirement Plans

Tax Year 2007	401(k)	Roth 401(k)	Traditional IRA	Roth IRA
Tax Implications	Money is deposited as "tax deferred" and then taxed at normal income bracket for distributions	Income is post tax money and no taxes have to be paid under qualified distributions	Contributed money is at first post tax money. However, contributions are may be tax deductible which reduce your tax basis for that tax year. Then, distributions are taxed at the normal income for distributions	Income is post tax money and no taxes have to be paid under qualified distributions
Income Limits	Generally none, but somewhat complicated due to HCE (highly compensated employees) rules	Generally none, but somewhat complicated due to HCE (highly compensated employees) rules	No income limits for contributions to Traditional IRAs. However, if you make "too" much money, you can not deduct the contributions.	Based upon MAGI; Single: full contrib up to \$99k, partial contrib to \$114k; Married: full contrib up to \$156k, partial contrib to \$166k; can't contribute more than you make in that year
Contribution Limits	\$15.5k/yr for under 50, \$20.5k/yr for 50 and over in 2007; limits are a total of trad 401k and Roth 401k contributions. Employee and employer combined contributions must be lesser of 100% of employee's salary or \$45k.	\$15.5k/yr for under 50, \$20.5k/yr for 50 and over in 2007; limits are a total of trad 401k and Roth 401k contributions. Employee and employer combined contributions must be lesser of 100% of employee's salary or \$45k.	\$4k/yr for age 49 or below; \$5k/yr for age 50 or above in 2007; limits are total for trad IRA and Roth IRA contributions combined	\$4k/yr for age 49 or below; \$5k/yr for age 50 or above in 2007; limits are total for trad IRA and Roth IRA contributions combined
Employer or Individual	Employer sets up this plan	Employer sets up this plan	Individual sets up this plan	Individual sets up this plan
Matching Contributions	Matching contributions available from employers.	Matching contributions available through employers, but they must sit in a pretax account	No matching contributions available	No matching contributions available
Distributions	Distributions can begin at age 59 1/2 or owner becomes disabled	Distributions can begin at age 59 1/2 and the account has been open for at least 5 years; there are exceptions though	Distributions can begin at age 59 1/2 or owner becomes disabled	Distributions can begin at age 59 1/2 as long as contributions are "seasoned" (been in the account for at least 5 years or owner becomes disabled)
Forced Distributions	Must start withdrawing funds at age 70 1/2 unless employee is still employed and owns less than 5% of the company. Penalty is 50% of minimum distribution.	Must start withdrawing funds at age 70 1/2 unless employee is still employed and owns less than 5% of the company. Penalty is 50% of minimum distribution.	Must start withdrawing funds at age 70 1/2 unless employee is still employed. Penalty is 50% of minimum distribution.	None.
Contribution Withdrawal	No, but loans from this plan are available depending upon employer's plan	Yes, while distributions of contributions come out tax and penatly free, distributions will be subject to taxes based upon the proportion of the distribution considered as earnings on the contract, with penalties due on that amount as well.	No	At any point, the owner may withdraw the total contributed into the IRA
Early Withdrawal	10% penalty plus taxes including withdrawal for hardships	See Above	10% penalty plus taxes for distributions before age 59 1/2 with exceptions	Early withdrawal that is more than contributions plus seasoned conversions are subject to normal income taxes and 10% penalty if not qualified distributions
Conversions	Can be converted to A Roth IRA. Taxes need to be paid during the year of the conversion. Other limiations though	Cannot be converted to a trad 401k, but upon termination of employment, can be rolled into Roth IRA	Can be converted to a Roth IRA. Taxes need to be paid during the year of the conversion. Other limitations though.	
Changing Institutions	Can roll over to another employer's 401k plan or to an (traditional?) IRA at an indepenent institution.	Can roll over to another employer's Roth 401k or to an Roth IRA at and independent institution.	Funds can be either transferred to another institution or they can be sent to the owner of the trad IRA who has 60 days to put the money in another institution in a rollover contribution to another traditional IRA	Funds can be either transferred to another institution or they can be sent to the owner of the Roth IRA who has 60 days to put the money in another institution in a rollover contribution to another Roth IRA