Index

• Numerics •

401(a) plan, 189 401(k): Take Charge of Your Future (Eric Schurenberg), 121 401(k) plan description of, 10 403(b) plan and, 177 one person, 203-204 small business and, 194–197, 208-209 tax-sheltered annuity compared to. 182 403(b) plan church employees and, 183 combining with other plans, 177 contributions to, 176-177 employees covered by, 175 ERISA versus non-ERISA, 180-181, 183 history of, 182-183 investment options, 178 job, changing, and, 180 resources on, 175 tax advantages of, 175-176 vesting, 180 withdrawal after retirement, 179 - 180withdrawal during employment, 179 403(b)(7) account, 178 404(c) regulations, 19, 214–215, 221, 235 457 plan access to benefits from, 71 combined type, 189 employee contributions to, 187-188 employer contributions to, 188–189 403(b) plan and, 177 history of, 186 investment options, 189 limits on contribution to, 28 overview of, 185 types of, 186-187

withdrawals from, 189-190

457(b) plan, 186–187, 190 457(f) plan, 186–187

• A •

account loan adding as option, 237 defaulting on, 243 evaluating benefits and, 34 evaluating pros and cons of, 135-136 457 plan and, 190 hardship withdrawal compared to, 136-137 individual retirement account (IRA), 145 interest on, 134 leaving money in former employer's plan and, 150 limits on, 133-134 reasons for taking, 133 repayment rules, 134-135 selecting plan to take from, 229–230 small business and, 198 taking unnecessary, 242–243 account statement, 40, 43 actively managed fund, 38, 92, 108 adjusted gross income, 59 administration of fund calculating employer matching contribution, 233-234 complaints about, 22 divorce and, 238 educating employees, 221–222 history of, 46 internal record-keeping system, 218 investments, selecting, 213-215 legal issues and, 42, 212, 235, 238-239 loans and distributions, 237 monitoring of performance, 212 nondiscrimination test and, 236 overview of, 211 packaging of plan, 219-221

administration of fund (continued) plan provider, personal relationship with, 222 plan provider, selecting, 215–217 rules and regulations, 219 Safe Harbor 401(k) plan and by third-party administrator, 215, 217-218, 219, 221 time demand of, 194 administrative function fee, 37 advantages of 401(k) plan dollar cost averaging, 17 mutual fund investment, 16-17 overview of, 9 protection of money in, 18-20 at retirement, 18 semi-forced savings, 15-16 tax, 10-15 advice. See also advisor, consulting on managing investments after retirement, 162 online services offering, 44, 77, 122–123, 162 from tax attorney, 161 advisor, consulting asset consultant, 216 for employee education, 235 ERISA attorney, 238 independent investment consultant, 217 for investment advice, 122 one-person 401(k) and, 204 at retirement, 230 tax attorney, 161 after-tax contribution, 13, 29 contribution limit and, 28-29 early withdrawal penalty and, 150, 155, 156 as excuse not to participate, 251 - 252required withdrawal and, 158 at retirement, estimating, 68-69 Social Security benefits and, 69-70 withdrawal after retirement and, 155 all-or-nothing policy of withdrawal, 154-155 A.M. Best (company), 170 annual return, 57, 117–119

annual statement of account, 40, 43 annuity automatic withdrawal from, 112-113 403(b) plan and, 178 immediate, 170-171 surrender fee, 183 tax-sheltered, 182-183 variable, 171, 178 asset allocation after retirement, 164-166 balancing, 120-121 company stock and, 97 long-term income and, 168 overview of, 115-116 reallocating, 120 rebalancing, 119-120, 244 asset class, 35, 213. See also investment options asset-based fee, 214, 220 automatic enrollment, 52

• B •

balanced fund, 107 bank, buying mutual fund from, 146 bankruptcy fear of, 248 457 plan and, 187 money in 401(k) versus money in individual retirement account, 149 protection of funds in employer, 20, 229 Barra (company), 117 basis points, 36, 38, 215 beneficiary failing to name, 245 401(k) and, 62-64 individual retirement account (IRA) and, 158 legal issues and, 239 spouse as, 63, 231, 239 beneficiary-designated asset, 245 benefit transaction fee, 39-40 BenefitsAttorney, 187 BenefitsLink, 187 Benna, Ted, experience of, 2, 15, 123, 182 bond, 88

bond fund, 90, 106
borrowing from plan. See loan from plan
brokerage window
description of, 17, 34–35, 111–112
liability and, 235
offering in plan, 216
budget
contribution size and, 57–59
during retirement, 72, 166
expenses, cutting, 78–80, 248–249
bundled product, 219

calculating employer matching contribution, 233-234 required minimum distribution, 159 California State Teachers Retirement System, 183 capital gain, 152, 161 capital preservation as investment objective, 112 capitalization, 108-110 Cascade Technologies, Inc., 218 cash balance pension, 121 cash equivalent, 105 cash value life insurance policy, 72 cashing out, 16, 245 catch-up contribution to 401(k) plan, 28-29, 53, 54 to 403(b) plan, 176–177 to 457 plan, 188 to individual retirement account (IRA), 143-144 certificate of deposit (CD), 163 changing amount of contribution, 226 employer match, 227 investment options, 62 changing job. See job, changing Charles Schwab (company), 123 child as beneficiary, 63-64 church employees, 183 cliff vesting, 31, 32 collateral, using plan as, 238 collective bargaining agreement and retirement plan, 51

company risk, 96 company stock after retirement, 161-162 job, changing, and, 151-152 risk of owning too much, 95–97, 110-111, 245-246 taxes on, 151-152, 161-162, 232 complaints about plan as excuse for not participating, 249-250 lack of information, 42-45 not enough funds or not right funds, overview of, 41 poor performance, 42 compliance issues with administration of plan, 219 with tax-qualified plan, 194 compounding benefits of, 57, 67, 84-85, 251 tax-deferred, 13-14 conduit IRA (individual retirement account), 145, 147 consulting advisor, 122, 204, 230, 235 asset consultant, 216 ERISA attorney, 238 independent investment consultant, 217 tax attorney, 161 contribution. See also catch-up contribution; employer matching contribution; limits on contribution; vesting after-tax, 13, 29 break in service and, 225 budget and, 57-59 changing amount of, 226 combined plans, 189 determining size of, 52-53 by employee, 27–30 by employer, 24–27 exceeding limits on, 226, 243 to former employer's plan, 227 to 403(b) plan, 176-177 to 457 plan, 187-188 hardship withdrawal and, 131 nondiscrimination test and, 196 pay increase and, 80

contribution (continued) payroll deduction and, 15 plan maximums, 54-56 pre-tax, 10, 28 to SIMPLE IRA plan, 199 small business and, 195 timing of, 60 to traditional IRA, 141-142 variable or discretionary matching, 27 conversion of individual retirement account (IRA) from traditional to Roth, 144 corporate bond, 106 corrective distribution, 226 credit card debt, paying with loan from account, 137 creditor, protection from, 157. See also bankruptcy custodian for individual retirement account (IRA), 146

• D •

Dalbar, Inc. (company), 122 Dalbar, Inc. Advisor Finder, 162 day trading, 111, 244 debt, paying with loan from account, 137 debt investment, 88 deemed hardship method, 128 defaulting on loan, 243 deferred compensation plan. See 457 plan defined benefit plan accessing income from, 72 description of, 24 Keogh type, 206 retirement and, 121 defined contribution plan Keogh type, 206 types of, 24 Department of Labor. See also **Employer Retirement Income** Security Act of 1974 (ERISA) liquidation of business and, 229 Section 404(c) regulations, 19, 214-215, 221, 235

Web site, 39 writing to, 47 direct rollover, 140 direct-billed fee, 214 disadvantages of 401(k) plan. See pitfalls of 401(k) plan distribution corrective, 226 reporting, 237 required minimum, 158-159, 190 distribution election form, 140 diversification benefits of, 91-93, 103 mutual fund and, 90 risk and, 17 dividends, 112 divorce, 61, 231-232, 238 dollar cost averaging, 17 drawing down account, 153 Duff & Phelps (company), 170

• E •

early withdrawal penalty age and, 21, 155, 156 hardship withdrawal and, 34, 129–130 individual retirement account (IRA) and, 145, 146 loan from account and, 135 lump-sum withdrawal and, 150 72(t) withdrawal and, 156–157 Economic Growth and Tax Relief Reconciliation Act of 2002, 29 EDSA Group, 221–222 education of employees, 221-222, 235 saving for child's, 249 education and advice fee, 40 eligibility period break in service and, 225 participation and, 33 rollover and, 148 eligibility requirements, 50–52 eligible employee, 195, 197 employee contributions by, 27–30 educating about plan, 221–222, 235

eligible, 195, 197 exclusion from participation for categories of, 51 highly compensated, 22, 54-56, 182, 196, 236 running fund in best interest of, 212 uniform and nondiscriminatory manner of treatment of, 149 employer. See also employer matching contribution; job, changing; small business; vesting annual financial report from, 238 bankruptcy of, 20, 149, 187, 229 evaluating benefits of, 26 evaluating contribution of, 24-27 financial trouble of, 228-229 going out of business, 229 lawsuit against, 19 leaving money with after job change, 141, 148-149 leaving money with after retirement, 157-158 merger of, 228 non-matching contribution, 27, 32 employer matching contribution advantage of, 10, 14-15, 25-26, 59-61 calculating, 233-234 changing, 227 company stock as, 95, 96 contributing above level for, 227 employee contribution and, 196, 242 457 plan and, 188-189 Safe Harbor 401(k) plan and, 200 SIMPLE IRA and, 199 small business and, 197 variable or discretionary, 27 variable versus profit-sharing, 234 vesting of, 31-32 Employer Retirement Income Security Act of 1974 (ERISA) fiduciary responsibility and, 42 403(b) plan and, 180-181, 183 standards and, 18-19 enrollment automatic, 52 times for, 226 Enron (company), 19, 94, 97, 110–111

entry date, 50 equity fund. See stock fund equity investment, 89 estate planning, 161–162 evaluating. See also evaluating plan employer benefits, 26 mutual fund, 115-119 evaluating plan access to money while working, 33-34 complaints about, 41-47 eligibility period, 33 employee contributions, 27-30 employer contributions, 24–27 fees, 35-41 improvements, trying to make after, 41 - 47investment choices, 34-35 for small businesses, 201–203, 207-210 vesting, 31–32 exclusion from participation, 51 exit fee from 403(b) plan, 179, 183 expense ratio, 38 expenses cutting, 78-80, 248-249 during retirement, 72, 166

• F •

FDIC (Federal Deposit Insurance Corporation), 94–95 federal taxes, 11 fees administrative function, 37 advisor, 230 asset-based, 214, 220 basis points, 36, 38, 215 benefit transaction, 39-40 direct-billed versus asset-based, 214 education and advice, 40 index versus managed funds, 108 investment management, 38-39 for non-investment services, 219-220 overview of, 35-37, 41 packaging of plan, 219-221 selecting investments for plan and, 213-215

facts and circumstances test, 128

fees (continued) third-party administrator, 221 transfers between funds and, 115-116 FICA (Social Security/Medicare tax), 11 fidelity bond, 20 Fidelity (company), 219 fiduciary responsibility, 19, 42 Financial Engines (company), 44, 77, 78, 123 financial need, immediate and heavy, 128 financial planner, 98 Financial Planners' Association, 122, 162 fixed annuity, 171 fixed-income investment, 88 forms distribution election, 140 investment election, 61, 62 401(a) plan, 189 401(k): Take Charge of Your Future (Eric Schurenberg), 121 401(k) plan description of, 10 403(b) plan and, 177 one person, 203-204 small business and, 194–197, 208-209 tax-sheltered annuity compared to, 182 403(b) plan church employees and, 183 combining with other plans, 177 contributions to, 176-177 employees covered by, 175 ERISA versus non-ERISA, 180-181, 183 history of, 182-183 investment options, 178 job, changing, and, 180 resources on, 175 tax advantages of, 175-176 vesting, 180 withdrawal after retirement, 179-180 withdrawal during employment, 179 403(b)(7) account, 178

404(c) regulations, 19, 214–215, 221, 235 457 plan access to benefits from, 71 combined type, 189 employee contributions to, 187–188 employer contributions to, 188-189 403(b) plan and, 177 history of, 186 investment options, 189 limits on contribution to, 28 overview of, 185 types of, 186-187 withdrawals, 189-190 457(b) plan, 186–187, 190 457(f) plan, 186-187 front-loading, 60 fund family, 213 fund management fee, 219 fund manager, 16-17, 38, 108 FUTA (unemployment tax), 11

• G •

Global Crossing (company), 111 government bond, 88, 106 government employee. See 457 plan graded or graduated vesting, 31, 32 gross income, 11 growth as investment objective, 112 growth fund, 109 guaranteed investment contract 401(k) plan and, 105–106 403(b) plan and, 182

• H •

hardship withdrawal
amount withdrawn under, 129
early withdrawal penalty and,
34, 129–130
403(b) plan and, 179
home, buying, 132–133
immediate and heavy financial need
and, 128–129
loan and, 129
loan compared to, 136–137
long-term consequences of, 131

overview of, 21 Simplified Employee Pension (SEP), 205, 207 small business and, 198 taking unnecessary, 242-243 traditional, 141-142 taxes owed on, 129-130 transferring 401(k) funds to prior highly compensated employee (HCE), to withdrawal, 154-155 22, 54–56, 182, 196, 236 withdrawal from, 145–146, 169–170 home inflation as asset, 171-172 fixed-income investments and, 166 buying, 132-133 hedge against, 112 hours of work per year, 50 income during retirement and, H.R. 10 plan, 206 97 - 98life expectancy and, 163 inflation-adjusted income, 74, 75-77 •] • information about plan educating employees, 221-222, 235 ICMA Retirement Corporation, 187 lack of, 42-45 immediate annuity, 170-171 letter requesting, 44–45 immediate vesting, 32 Section 404(c) regulations and, income 214-215 accessing retirement, 69–72 in-service withdrawal, 34. See also adjusted gross, 59 withdrawal during employment gross, 11 Institute of Management and inflation-adjusted, 74, 75–77 Administration, 217 managing investments for monthly institutional fund, 38 stream of predictable, 169-172 interest rate modified adjusted gross, 142 bond fund and, 106 tax credits and, 59 on loan from account, 134 independent investment Internal Revenue Service consultant, 217 annual financial report from index, 117 employer, 238 index fund, 92, 108. See also S&P 500 life expectancy tables, 159 index Publication 560, Retirement Plans for individual retirement account (IRA) Small Businesses, 194, 206 after retirement, 157 Publication 571, 175, 183 conduit type, 145, 147 Publication 590, Individual contribution limits, 143-144 Retirement Arrangements, conversion from traditional 142, 159 to Roth, 144 reporting distribution to, 237 deductible, advantages of, 142 Section 401 of Code, 15 early withdrawal penalty and, 155 Section 403(b) of Code, 176 flexibility of, 158 Section 457 of Code, 186 income limits on deductible international fund, 110 contributions, 142-143 Investing For Dummies (Eric Tyson), overview of, 141 3, 121 rollover of pre-tax and after-tax investment election form, 61, 62 contributions, 230 investment management fee, 38–39 rollover to, 145-146, 230 investment objective, 16-17, 39, Roth, 29, 143–144, 145

112-113

SIMPLE, 29, 198-200, 201-202,

207-208

investment options. See also annuity; brokerage window; mutual fund changing, 62 evaluating, 34-35 403(b) plan, 178 457 plan, 189 monitoring performance of, 212 overview of, 104-105 requirements for, 227-228 selecting for plan, 213-217 selecting for portfolio, 61-62 investment return and fee, 36 investment risk. See risk investment strategy, 17. See also diversification IRA. See individual retirement account

•] •

job, changing account size and, 141 cashing out when, 16, 245 company stock and, 151-152 as excuse for not participating, 250 403(b) plan and, 180 457 plan and, 190 leaving money in plan when, 141, 149–150 lump-sum withdrawal and, 150-151 release of money by former employer and, 148-149 rollover of funds and, 139-140 rollover to individual retirement account (IRA) and, 145-146 rollover to new employer's plan and, 147-148 junk bond, 88, 106



Keogh plan, 206

• [•

large-cap company, 109 leased employee, 51

leaving money in old employer's plan after retirement, 157-158 when changing jobs, 141, 149-150 legal issues and liability administration of plan and, 238-239 brokerage window option and, 235 lawsuit against fiduciary, 42 plan provider selection and, 212 Lehman Brothers (company), 117 letters, sample, 44-45 life expectancy tables (IRS), 159 life insurance, 72 life-cycle or lifestyle fund, 107 limits on contribution. See also highly compensated employee (HCE) combined plans, 189 exceeding, 226, 243 federal dollar limit for pre-tax salary deferrals, 53-54 403(b) plan and, 176–177 457 plan and, 187–188 percent-of-pay, 29-30, 54 SIMPLE IRA plan, 199 loan from plan adding as option, 237 defaulting on, 243 evaluating benefits and, 34 evaluating pros and cons of, 135-136 457 plan and, 190 hardship withdrawal compared to, 136 - 137individual retirement account (IRA), 145 interest on, 134 leaving money in former employer's plan and, 150 limits on, 133-134 reasons for taking, 133 repayment rules, 134-135 selecting plan to take from, 229-230 small business and, 198 taking unnecessary, 242–243 local/municipal government taxes, 11 long-term investor, growth and, 112 Los Angeles Unified School District, 181 lump-sum withdrawal 401(k) plan and, 150–151, 245 403(b) plan and, 179

owning too much company stock, • M • 245-246 taking unnecessary loan or managing fund. See fund manager; withdrawal, 242-243 plan provider; third-party modified adjusted gross income, 142 administrator (TPA) *Money* magazine article, "Income for managing investments after Life," 170 retirement money market fund life expectancy and, 163 description of, 61, 105 living within means and, 166-168 return on, 90 for monthly stream of predictable risk and, 89 income, 169-172 monitoring performance of plan, 212 overview of, 153, 162 Morgan Stanley (company), 117 return on investment, expectations Morningstar (company) of. 163-164 advice from as employee benefit, 44 risk and return, 164-166 asset allocation recommendation, market cap, 108–110 123 market risk, 94 ratings by, 46 matching contribution by employer resources of, 77, 121, 217 advantage of, 10, 14-15, 25-26 Web site, 78 calculating, 233-234 mPower Cafe Web site changing, 227 403(b) plan and, 175 company stock as, 95, 96 457 plan and, 187 contributing above level for, 227 investment education and, 46 employee contribution and, 196, 242 resources of, 123 457 plan and, 188-189 mPower (company) Safe Harbor 401(k) plan, 200 advice from as employee benefit, 44 SIMPLE IRA, 199 asset allocation recommendation, small business and, 197 123 taking advantage of, 59-61 resources of, 77 variable or discretionary, 27 Web site, 78, 122 variable versus profit-sharing, 234 MSCI-EAFE, 117 vesting of, 31–32 municipal bond, 106 maturity, 88 mutual fund medical insurance, cost of, 72 actively managed, 38, 92, 108 Medicare, 72 automatic withdrawal plan, 112-113 merger, 228 average return and, 117-119 mid-cap company, 109 bank, buying from, 146 mistakes to avoid comparing types of, 116-117 cashing out, 245 description of, 16-17, 104 day trading, 244 diversification and, 92-93 defaulting on loan, 243 403(b) plan and, 178 exceeding contribution limits, 243 international investing, 110 failing to name beneficiary, 245 investment management fee, 38-39 failing to rebalance, 244 letter requesting replacement of, 45 investing too conservatively or too moving money between, 115-116 aggressively, 243-244 name of, 110 not getting full employer match, 242 passively managed, 108 not participating, 241–242

mutual fund (continued)
performance of, 103, 116, 117
ratings of, 123
return on, 90
risk and categories of, 89–90
Mutual Funds For Dummies
(Eric Tyson), 3, 121

• N •

National Association of Government Defined Contribution Administrators, 187 National Association of Personal Financial Advisors, 122, 162 negative return, 89 Newmann, Brenda, Web site of, 123 nondiscrimination test. See also highly compensated employee (HCE) employees included in, 236 requirement for, 22 small business and, 195-197 tax-sheltered annuity and, 182 non-matching employer contribution, 27, 32 non-proprietary fund, 216 nonresident alien, 51

• 0 •

one-person 401(k) plan, 203–204 Orange County, California, 187 O'Shaughnessey, Lynn, *Retirement Bible*, 168 overtime work and contribution, 53

• p •

packaging of plan, 219–221 paperwork, dread of, and not participating, 250 partial rollover, 145 participation in plan excuses for failure in, 247–252 importance of, 241–242 level of and small business, 197 rules regarding, 33, 50–52

passively managed fund, 108 pay increase, 80 payroll deduction, 15 peer group, 116 penalty. See early withdrawal penalty pension, 121. See also Simplified Employee Pension (SEP) IRA Pension and Welfare Benefits Administration Web site, 47 percent-of-pay limit on contribution, 29-30, 54 performance of plan 401(k), 42, 212 mutual fund, 103, 116, 117 pie chart, 113 pitfalls of 401(k) plan, 21-22 plan document, 26 plan fiduciary, 19 plan provider description of, 37 fees and, 214 packaging of plan, 219–221 personal relationship with, 222 selecting, 215–217 plan year, 195 planning for retirement access to income and, 69-72 activity during, 72–73 nest egg, determining size of, 73–78 target date for, setting, 68-69 pre-nuptial agreement, 63 pre-tax contribution, 10, 28 primary beneficiary, 62 prime rate, 134 principal, 88 principal, spending, 153 profit-sharing contribution, 234 profit-sharing plan, 204 Profit-Sharing/401(k) Council of America Web site, 41, 194 proprietary fund, 215 prospectus fees and, 39, 214 information in, 110 protection of investment bankruptcy and, 149, 229 standards and, 18-19 Publication 560, Retirement Plans for Small Businesses (IRS), 194, 206

Publication 571 (IRS), 175, 183
Publication 590, Individual Retirement
Arrangements (IRS), 142, 159
purchase agreement in merger, 228
Putnam (company), 219

• 0 •

QDRO Consultants Company, 238
QMAC (qualified matching
contribution), 56
QNEC (qualified nonelective
contribution), 56
qualified domestic relations order
(QDRO), 231, 238

• R •

rate of return, 43. See also return on investment rating of insurers, 170 reallocating assets, 120 rebalancing asset allocation, 119-120, 244 repaying loan from account, 134-135 required withdrawal 401(k) plan and, 158-159 457 plan and, 190 resources. See also Web sites advisor, 122, 204, 230, 235 asset consultant, 216 books and publications, 121 educating employees, 221–222 ERISA attorney, 238 457 plans, 187 independent investment consultant, 217 online, 122-123 qualified domestic relations order, 238 small business, 194 tax attorney, 161 third-party administrator, 218 retail mutual fund, 38, 214 retirement. See also managing investments after retirement access to income in, 69-72 activity during, 72-73

change in concept of, 1 finding advisor for, 230 individual retirement account (IRA) and, 157 leaving money in plan after, 154 nest egg, determining size of, 73-78 percentage of pre-retirement income needed at, 18 saving for, 67 taking money out of plan after, 154-155 target date for, setting, 68-69 Retirement Bible (Lynn O'Shaughnessey), 168 retirement calculator, 40, 77 Retirement Income Account, 183 return on investment after retirement, 163-164 money market fund and, 90 risk and, 98-99 stocks and, 107, 248 reviewing beneficiary designation, 64 bond fund and, 106 diversification and, 17, 91-93 during retirement years, 164-166 international fund and, 110 investment, 87-88 level of tolerance for, determining, 99-101 mutual fund and, 89-90 of losing entire investment, 94-95 of losing more than you can stand, 93-94 of not having enough money for retirement, 97-98 of owning too much company stock, 95-97, 245-246 overview of, 87-88 reward, relationship to, 98-99 type of investment and, 104–105 types of, 93-98 rollover. See also individual retirement account (IRA) description of, 16 distribution election form, 140 early withdrawal penalty and, 155 federal law regarding, 148

rollover (continued) 403(b) plan and, 180 457 plan and, 190 job, changing, and, 139-141 moving out of country and, 151 into new employer's plan, 147-148 partial, 145 personal check and, 156 of pre-tax and after-tax contributions, 230 size of, 230 waiting period and, 148 Roth IRA (individual retirement account), 29, 143-144, 145 Russell 2000, 117

• 5 •

Safe Harbor 401(k) plan administration of, 29 automatic contribution to, 27 nondiscrimination test and, 55 small business and, 200-202, 210 salary deferral agreement, 52–53 salary increase, 80 saving for child's education, 249 early start to, importance of, 2, 57, 58, 67 expenses, cutting to allow, 78-80 goals for, 80-84 for other things, 249 semi-forced aspect of, 15-16 sticking with plan for, 84–85 school employees and 403(b) plan, 181 Schurenberg, Eric, 401(k): Take Charge of Your Future, 121 secondary beneficiary, 62 self-directed option. See brokerage window selling stock, 164-165 SEP (Simplified Employee Pension) IRA, 205, 207 SEPP (substantially equal periodic payment), 156–157 short-term investor, capital preservation and, 112

SIMPLE 401(k) plan, 29, 201 SIMPLE (Savings Incentive Match Plan for Employees) IRA, 29, 198-200, 201-202, 207-208 Simplified Employee Pension (SEP) IRA, 205, 207 small business administration of plan by, 194 cost of plan for, 206 employer contribution to plan, 195, 197 evaluating plans for, 201–203, 207-210 401(k) plan and, 194–197, 208–209 hardship withdrawal and, 198 Keogh plan and, 206 loans and, 198 nondiscrimination test and, 195–197 one-person 401(k) plan and, 203-204 profit-sharing plan and, 204 resources for, 194 retirement plan for, 193-194 Safe Harbor 401(k) plan and, 200-202, 210 SIMPLE 401(k) plan and, 29, 201 SIMPLE IRA plan and, 198–200, 207-208 Simplified Employee Pension (SEP) and, 205, 207 vesting and, 197, 198 small-cap company, 109 Social Security income accessing, 69-71 relying on, 251 taxes on, 160-161 Social Security taxes one-person 401(k) plan, 204 Simplified Employee Pension (SEP) IRA and, 205 Social Security/Medicare tax (FICA), 11 software Cascade Technologies, Inc., 218 financial planning, 98 Quantech system, 218 S&P 500 index, 46, 92, 108, 117 spouse. See also divorce as beneficiary, 63, 231, 239

tax-deferred annuity (TDA). See coordinating plan benefits with, 61, 121 403(b) plan selecting among plans to take loan taxes. See also tax advantages from, 229-230 company stock and, 151-152, stable investment, 93 161-162, 232 stable value fund, 105–106 hardship withdrawal and, 129-130 Standard & Poors (company), 117, 170 home, buying, and, 132-133 state taxes, 11 loan from account and, 134-135 stock. See also company stock moving out of country and, 151 day trading, 111, 244 Social Security and one-person growth versus value, 101 401(k) plan, 204 investment in after retirement, 163 withdrawal before age 59 ½ and, 21 withdrawal from individual selling, 164–165 stock fund retirement account (IRA) active versus passive management and, 145 of, 108 tax-qualified plan, 194 tax-sheltered annuity (TSA), 182-183. capitalization and, 108-110 description of, 89, 107 See also 403(b) plan return on, 90 Technical Answer Group, 219 stock market terminating plan, 237 biggest drops in, 92 third-party administrator (TPA), fear of, 247-248 215, 217-218, 219, 221 substantially equal periodic payment time horizon (SEPP), 156-157 asset allocation and, 114–115 Successful Money Management description of, 68 Seminars, 221, 222 risk and, 93, 100 summary annual report, 43 timing of contribution, 60 summary plan description, 19, top heavy plan, 195 42-43, 127 TPA (third-party administrator), SunGard Corbel (company), 218 215, 217-218, 219, 221 surrender fee for 403(b) plan, 179, 183 transferring money. See also rollover advantages of, 21 systematic risk, 94 hardship withdrawal and, 129 between mutual funds, 115-116 • T • Trinity Study Web site, 168 T. Rowe Price (company), 219 tax advantages trust, 63-64 deciding which money to spend first trustee for individual retirement and, 160-161 account (IRA), 146 direct rollover and, 140 trustee-to-trustee transfer, 16, 140 403(b) plan and, 175–176 Tyson, Eric individual retirement account (IRA) Investing For Dummies, 3, 121 and, 146 Mutual Funds For Dummies, 3, 121 lower taxable income, 11-13 overview of, 10-11 • *U* • tax deferral, 13-14

unemployment tax (FUTA), 11

union and retirement plan, 51

unsystematic risk, 96

tax attorney, consulting, 161 tax credit for low- and moderate-

income earners, 59

Tax Reform Act of 1978, 15

• *U* •

value fund, 109

Value Line, resources of, 121, 123
Vanguard (company), 219
variable annuity, 171, 178
variable matching contribution, 234
vesting
403(b) plan and, 180
minimum period for, 16
of matching contributions, 15, 31–32
of non-matching contributions, 32
overview of, 30–31
small business and, 197, 198
volatility, 87–88

• W •

waiting period break in service and, 225 participation and, 33 rollover and, 148 wealth, inherited, 72 Web sites advice, 44, 77, 122-123, 162 Dalbar, Inc. Advisor Finder, 162 Department of Labor, 39 EDSA Group, 222 457 plans, 187 independent investment consultant, 217 indexes, 117 Institute of Management and Administration, 217 Internal Revenue Service, 142 Morningstar, 46, 77, 78, 121, 217 mPower, 78, 122 mPower Cafe, 46, 123, 175, 187 Pension and Welfare Benefits Administration, 47 professional associations, 122 Profit-Sharing/401(k) Council of America, 41, 194 Publication 571 (IRS), 175 ratings of insurers, 170 retirement calculator, 77

Social Security, 70, 160 Successful Money Management Seminars, 222 Technical Answer Group, 219 third-party administrator, 218 Trinity Study, 168 Wilshire 5000, 117 Wilshire Associates, 117 withdrawal after retirement age and, 155 all-or-nothing policy of, 154–155 determining amount of, 166–168 403(b) plan and, 179–180 457 plan and, 190 from individual retirement account (IRA), 169-170 required, 158-159 Simplified Employee Pension (SEP) IRA and, 205 Social Security benefits and, 160-161 withdrawal during employment. See also early withdrawal penalty; hardship withdrawal; loan from plan cashing out, 16, 245 difficulty of as reason not to participate, 250-251 evaluating pros and cons of taking, 137 403(b) plan and, 179–180 457 plan and, 190 individual retirement account (IRA) and, 145–146 lump sum, 150–151, 179 overview of, 10, 33-34 rules regarding, 21 small business plan and, 197-198 types allowed, 127-128 work, part-time, 72 WorldCom, 111 wrap fee, 38-39



year, definition of, 50