2016 Retirement Plan Reference Guide

This 2016 retirement plan reference guide helps you identify the most appropriate IRA, 401(k), or other product for your client, whether he or she is just starting to save for retirement or is looking for another vehicle to help maximize retirement savings.

	IRA	Roth IRA	SEP IRA	SIMPLE IRA	Traditional 401(k)	Safe Harbor 401(k)	Individual 401(k)
Maximum Annual Contribution Limits	For 2016, contributions of up to $5,500 or 100% of earned income ($6,500 for account holders age 50 or older), whichever is less. A nonemployed spouse may contribute up to $5,500 per year ($6,500 for account holders age 50 or older), if joint taxable income permits.	For 2016, contributions of up to $5,500 or 100% of earned income ($6,500 for account holders age 50 or older), whichever is less. A nonemployed spouse may contribute up to $5,500 per year ($6,500 for account holders age 50 or older), if joint taxable income permits.	For 2016, the lesser of 25% of W-2 pay or $53,000 (based on the first $265,000 of compensation); contribution effectively limited to 20% of pay if filing Schedule C (Sole Proprietor).	For 2016, maximum salary deferral of $12,500 ($15,500 for account holders age 50 or older). Employer must match deferrals dollar-for-dollar, up to 3% of compensation (can be reduced to 1% in two out of five years) or make a 2% nonelective contribution to all eligible employees.	Employee can defer 100% of taxable income up to $18,000 (employee age 50 or older, up to $24,000). Total employer/employee contributions cannot exceed $53,000 ($59,000 if employee is age 50 or older).	Employee can defer taxable income up to $18,000. A participant age 50 or older can make a $6,000 catch-up contribution, in addition to the annual deferral limit. Employer is required to make either a 3% nonelective contribution or 100% of employee deferrals up to 3% of compensation, plus 50% of employee deferrals in excess of 3% up to 5% of compensation (for a total of 4%).	Employee can defer 100% of taxable income up to $18,000 (employee age 50 or older, up to $24,000). Employer contributions are limited to a maximum of 25% of compensation or if self-employed, based on a specific computation using IRS guidelines. Total employer/employee contributions cannot exceed $53,000 ($59,000 if employee is age 50 or older).
Deadline to Establish	Tax filing deadline, not including extensions (usually April 15)	Tax filing deadline, not including extensions (usually April 15)	Employer's tax filing deadline, including extension period (if filed for)	October 1; a 60-day notice must be given to eligible employees.	Business's year-end	October 1 to be eligible for current year	Business's year-end
Deadline to Contribute	Tax filing deadline, not including extensions (usually April 15)	Tax filing deadline, not including extensions (usually April 15)	Employer's tax filing deadline, including extension period (if filed for)	Employer contributions by employer's tax filing date, including extension period (if filed for); salary deferrals contributed no later than 7 days	Employer contributions by employer's tax filing date, including extension period (if filed for); salary deferrals as soon as administratively possible, but no later than the 15th of the month following the month in which they were deferred	Employer contributions by employer's tax filing date, including extension period (if filed for); salary deferrals as soon as administratively possible, but no later than the 15th of the month following the month in which they were deferred	Employer contributions by employer's tax filing date, including extension period (if filed for); salary deferrals as soon as administratively possible, but no later than the 15th of the month following the month in which they were deferred
Eligibility Requirements	Must be under age 70½ and have earned income for the year	Must have earned income for the year. $5,500 contribution limit phased out for single filers with MAGI of $117,000–$132,000, married filing jointly with MAGI of $184,000–$194,000, or married filing separately with MAGI of $0–$10,000.	Employer must include all employees who have reached age 21, worked three out of the last five years, and earned at least $600 in current year. Must contribute same percentage to all employees.	All employees who have earned at least $5,000 during any two preceding years and who are reasonably expected to earn $5,000 this year	Employer must include all employees who have reached age 21 and who have completed one year of service. May exclude employees who worked fewer than 1,000 hours.	Employer must include all employees who have reached age 21 and who have completed one year of service. May exclude employees who worked fewer than 1,000 hours.	Only the business owner and his or her spouse or partner are eligible. Only businesses that include those two individuals may participate in the plan.
Can Be Suitable For	Wage-earning taxpayer and nonworking spouse who file a joint return	Wage-earning taxpayer and nonworking spouse who file a joint return	Corporations, sole proprietors, partnerships, and nonprofit entities	Corporations, sole proprietors, partnerships, nonprofit, and government entities with 100 or fewer eligible employees	Corporations, sole proprietors, partnerships, and nonprofit entities	Corporations, sole proprietors, partnerships, and nonprofit entities	Businesses (including corporations, sole proprietors, partnerships, and nonprofit entities) that employ only the owners and their spouses

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	IRA	Roth IRA	SEP IRA	SIMPLE IRA	Traditional 401(k)	Safe Harbor 401(k)	Individual 401(k)
Required Minimum Distributions (RMDs)	RMDs must begin by April 1 of the year following the year in which the individual turns 70½.	None	RMDs must be taken by April 1 of the year following the year in which the individual turns 70½.	RMDs must begin by April 1 of the year following the year in which the individual turns 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.
Distributions	Penalty-free distributions include reaching age 59½, death, permanent disability, higher education expenses, first-time home purchase (with a $10,000 lifetime limit), payment of health insurance for unemployed, and payment of medical expenses above 10% of AGI (above 7.5% of AGI for age 65 or older).	Cost basis can be removed at any time. Distributions are penalty- and tax-free for earnings and conversion assets that are in the account for five years and meet one of the following: reaching age 59½, death, disability, or first-time home purchase (with a $10,000 lifetime limit). Earnings spent for payment of medical expenses above 10% of AGI (above 7.5% of AGI for age 65 or older) and withdrawals for education are penalty-free, but gains are taxed.	Penalty-free distributions include reaching age 59½, death, permanent disability, higher education expenses, first-time home purchase (with a $10,000 lifetime limit), payment of health insurance for unemployed, and payment of medical expenses above 10% of AGI (above 7.5% of AGI for age 65 or older).	Penalty-free distributions after two years include reaching age 59½, death, permanent disability, higher education expenses, first-time home purchase (with a $10,000 lifetime limit), payment of health insurance for unemployed, and payment of medical expenses above 10% of AGI (above 7.5% of AGI for age 65 or older).	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.
Tax Treatment of Distributions	Generally taxed as ordinary income (excluding nondeductible contributions)	Distributions are tax-free if they meet the criteria above.	Generally taxed as ordinary income	Generally taxed as ordinary income	Generally taxed as ordinary income	Generally taxed as ordinary income	Generally taxed as ordinary income
Features	Earnings grow tax-deferred and contributions may be tax-deductible.	Earnings grow tax-free, contributions are not tax-deductible, and contributions can continue after age 70½.	Easy to establish and maintain; minimal IRS filings; low cost; flexible contribution limits; employer not committed for future years	Easy to establish and maintain; pretax contributions may reduce employee's taxable income; no discrimination testing. Employer may not run any other retirement plan in conjunction with a SIMPLE.	Pretax contributions may reduce employee's taxable income; flexible plan design	Pretax contributions reduce employee's taxable income; flexible plan design; allows maximum deferrals for highly compensated employees.	Pretax contributions may reduce employee's taxable income; flexible plan design
Who Contributes	Individuals	Individuals	Employer	Employer and employees	Employees only or employees and employer	Employer and employees	Employees only or employees and employer
Vesting	Always 100%	Always 100%	Always 100%	Always 100% for both employer and employee contributions	100% for employee contributions. Vesting for employer matching contributions is maximized at three-year cliff or six-year graded.	100% for employee elective and employer required contributions and required match made by employer. Any additional profit sharing may have gradual vesting for employer contributions up to six years or cliff vesting up to three years.	Always 100%
Loan Feature	N/A	N/A	N/A	N/A	Available	Available	Available
Administration	None	None	None	None	IRS 5500 filings and other ERISA requirements	IRS 5500 filings and other ERISA requirements	IRS 5500 filings once plan exceeds $250,000 and other ERISA requirements

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	PSP	MPP	403(b)	457(b)	412(i)
Maximum Annual Contribution Limits	Lesser of 25% of W-2 compensation up to $53,000, based on first $265,000 of compensation; contribution effectively limited to 20% of pay if filing Schedule C (Sole Proprietor).	Lesser of 25% of W-2 compensation up to $53,000, based on first $265,000 of compensation; contribution effectively limited to 20% of pay if filing Schedule C (Sole Proprietor).	Employee can defer 100% of taxable income up to $18,000 (employee age 50 or older, up to $24,000). Total employer/employee contributions cannot exceed $53,000 ($59,000 if employee is age 50 or older). Additional catch-up may apply.	Employee can defer 100% of taxable income up to $18,000 (employee age 50 or older, up to $24,000). Additional catch-up may apply.	Maximum contribution amount based on income. Employer must make contributions for at least five years.
Deadline to Establish	Business's year-end	Business's year-end	N/A	N/A	Plan must be established by year-end for which contributions are to be credited.
Deadline to Contribute	Employer's tax filing date, including extension period (if filed for)	Employer's tax filing date, including extension period (if filed for)	Employer contributions by employer's tax filing date, including extension period (if filed for); salary deferrals as soon as possible, but no later than the 15th of the month following the month in which they were deferred	Employee contributions withheld each pay period and deposited no later than seven days into the plan	Employer's tax filing deadline, including extension period (if filed for)
Eligibility Requirements	Employer must include all employees who have reached age 21 and who have completed one year of service (or two years if 100% vesting). May exclude employees who worked fewer than 1,000 hours.	Employer must include all employees who have reached age 21 and who have completed one year of service (or two years if 100% vesting). May exclude employees who worked fewer than 1,000 hours.	Must provide universal availability to all employees. May exclude employees who participate in a governmental 457(b) plan, are nonresident aliens, or normally work fewer than 20 hours/week if the employer expects the employee to work less than 1,000 hours in a 12-month period and in subsequent 12-month periods.	Employees or independent contractors with earned compensation from an eligible employer; employer may choose to offer plan to highly compensated employees or to other particular groups of employees.	Employer must include all employees who have reached age 21 and who have completed one year of service. May exclude employees who worked fewer than 1,000 hours.
Can Be Suitable For	Corporations, sole proprietors, partnerships, and nonprofit entities	Corporations, sole proprietors, partnerships, and nonprofit entities	Employees of public schools and tax-exempt 501(c)(3) organizations	State and local government employees and their agencies, state political subdivisions and their agencies, and tax-exempt organizations	Any business owner
Required Minimum Distributions (RMDs)	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.	RMDs begin at age 70½ or retirement, whichever is later, except 5% owners must start RMDs at age 70½.
Distributions	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service at age 55, and reaching age 59½.	Penalty-free distributions include separation from service, death, and an unforeseeable emergency allowed by employer.	Penalty-free distributions include reaching plan's normal retirement age, death, permanent disability, separation from service, and age 59½.
Tax Treatment of Distributions	Generally taxed as ordinary income	Generally taxed as ordinary income	All distributions are taxed as ordinary income.	All distributions taxed as ordinary income; no 59½ rule for withdrawals	All distributions are taxed as ordinary income.
Features	Contributions can vary annually.	Fixed contribution rate; can be paired with a PSP	Pretax contributions may reduce employee's taxable income, and employer may make matching or discretionary contributions.	Pretax contributions may reduce employee's taxable income. Plan allows for additional $18,000 pretax contributions.	Provides greater tax deductibility and the ability to credit a greater percentage of contributions to employers themselves

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	PSP	MPP	403(b)	457(b)	412(i)
Who Contributes	Employer	Employer	Employees only or employees and employer	Employees	Employer
Vesting	Gradual vesting permitted up to six years or cliff vesting up to three years.	Gradual vesting permitted up to six years or cliff vesting up to three years.	100% for employee contributions. Gradual vesting for employer contributions permitted up to six years or cliff vesting up to three years.	100% for employee contributions. Gradual vesting for employer contributions permitted up to six years or cliff vesting up to three years.	100% for employee contributions. Gradual vesting for employer contributions permitted up to six years or cliff vesting up to three years.
Loan Feature	Available	Available	Available	Available	Unavailable
Administration	IRS 5500 filings and other ERISA requirements	IRS 5500 filings and other ERISA requirements	Plan document required for all plans. IRS 5500 filings and other ERISA requirements for ERISA plans.	None	Third-party administration required

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WALTHAM OFFICE
29 SAWYER ROAD
WALTHAM, MA 02453-3483
TOLL-FREE: 800.237.0081
PHONE: 781.736.0700
MAIN FAX: 781.736.0793

SAN DIEGO OFFICE
110 WEST A STREET, SUITE 1800
SAN DIEGO, CA 92101-3706
TOLL-FREE: 877.347.1982
PHONE: 619.471.9700
MAIN FAX: 619.471.9701

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