



## Save at Your Job

The most important long-term benefit your employer is likely to offer you is a chance to participate in a 401(k) plan or similar retirement plan. Many types of tax-deferred plans exist. A list of plans, like the one above, can look like “alphabet soup” – lots of letters and numbers that don’t make much sense. The *Plan Well, Retire Well* website can help you identify:

- which tax-deferred plans are available for you to use,
- what type of plan(s) your employer offers, and
- which type of plan you might use if your employer doesn’t offer a plan or to supplement your employer-provided, tax-deferred retirement plan.

Tax-deferred savings plans can have a variety of names, but the important thing is to participate in the plan available through your current employer. These are some common tax-deferred savings plans. Is one available at your job?

**401(k)** - a salary reduction plan offered by business employers

**403(b)** - a salary reduction plan offered by tax-exempt, charitable, educational, or health institutions. Sometimes referred to as TDAs (tax-deferred annuities) or TSAs (tax-sheltered annuities).

**457** - a salary deferral plan offered to government and tax-exempt organization employees.

**SEP** - a special plan for the self-employed and small businesses.

**SIMPLE IRA** - a special plan for small businesses

**SIMPLE 401(k)** - a special plan for small businesses

**KEOGH:** – for self-employed persons operating as a sole proprietor or for a partnership and their employees. Also known as an HR-10 plan.

If you have a choice in your job between a defined-benefit pension plan and a defined-contribution plan such as a 401(k), it's important for you to understand the difference between these two types of plans.

Employer retirement plans may be one of two types: defined benefit or defined contribution.

**Defined benefit:** The employee receives a specific retirement benefit that is calculated by a formula. It's usually based on years of service and/or an average of annual earnings. The benefit received isn't affected by how well the employer invested the money.

**Defined contribution:** The employer contributes money to an account for each employee according to a formula. The money is invested, and the retirement benefit depends upon contributions made and how well the investment performs. Thus, the employee bears the investment risk. In some types of defined contribution plans, the employee can choose to contribute money from their salary to the plan.

The important step is to start your tax-deferred saving *now*. Ask at your benefit center for your company's retirement saving plan forms. Once you receive the forms, here are some tips:

- Make sure you have the right forms, and that they're the most recent.
- Be accurate and truthful in filling out the forms.
- Read the plan rules as they often differ from federal regulations.
- Choose your beneficiary designations thoughtfully keeping retirement goals as well as estate goals in mind.
- Always list a contingent (secondary) beneficiary as well as a primary beneficiary.
- Keep a copy of the forms you fill out and the plan description for your retirement file.
- If you have a choice of companies within your employer plan, look at fees, choice of mutual funds and services they provide.
- If you are delaying because you can't decide which mutual fund to select, choose a money market fund to get started, especially if you get a company match. (A dollar for dollar match is a 100% return before you earn any return.)



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