

Choosing a GAFRI Retirement Plan



There are as many types of retirement plans as there are reasons for establishing a plan. Selecting the right one for you and your business can be difficult. At Great American Financial Resources®, Inc., our team is ready to work with you and your independent financial professional to evaluate your company's retirement plan needs. In addition to the basic plan designs described within, we can also help you with more sophisticated plan designs such as Safe Harbor, age weighted and super comparability plans.

Qualified retirement plans

- ★ SEP IRA
- ★ SIMPLE IRA
- ★ 401(k)
- ★ Profit sharing
- ★ Defined benefit

Great American Financial Resources and our subsidiary life insurance companies, Annuity Investors Life Insurance Company® and Great American Life Insurance Company®, are committed to meeting the needs of the small- and medium-sized business owner. We will work with you and your independent financial professional, making sure that you have chosen the right plan for your business. You can count on us to provide flexible, high-quality and cost-effective solutions for you in the years to come.

- 1 A self-employed person is generally considered both the employer and an employee for this purpose.*
- 2 Requirements vary by plan document, but the age, years of service and length of vesting schedule can be less than shown but not greater.*
- 3 Except as noted, limits in effect for 2008 are shown in this summary. These figures are generally indexed for inflation or scheduled to rise by statute and may change annually. In determining the amount of any contribution or limit under an employer-sponsored plan, compensation over \$230,000 must be disregarded. In some cases, limits on deductions, contributions and benefits are coordinated with other plans of the employer and may be reduced on account of such other plans. Limits on employee deferrals apply to total elective deferrals of the employee to all plans.*

This information is not intended or written to be used as legal or tax advice. It was written solely to support the sale of annuity products. As a taxpayer, you cannot use it for the purpose of avoiding penalties that may be imposed under the tax laws. You should seek advice on legal or tax questions based on your particular circumstances from an independent attorney or tax advisor.



INSURANCE MARKETPLACE
STANDARDS ASSOCIATION

Comparison of Qualified Plans



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Not Insured by any Federal Government Agency • Not a Deposit • May Lose Value



	SEP IRA	SIMPLE IRA	401(k)	Profit sharing	Defined benefit
General description	Under a Simplified Employee Pension (SEP) IRA, the employer makes contributions to IRAs established and maintained for each eligible employee on a nondiscriminatory basis.	Under a Savings Incentive Match Plan for Employees (SIMPLE) IRA, eligible employees may make deferrals to SIMPLE IRAs through salary reduction agreements. Employer contributions are required.	A profit-sharing plan with an added cash or deferred arrangement that permits employee deferrals through salary reduction agreements. May also provide for employer-matching contributions. Employer profit-sharing contributions, if any, are subject to normal rules.	A plan that allows an employer to make discretionary contributions. Employer contributions may be, but are not required to be, based on profits.	A pension plan that provides a participant with a specified benefit at retirement, with employer contributions actuarially determined to provide future benefits.
Who may establish the plan? ¹	All employers.	Employers with no more than 100 eligible employees and no other qualified plan.	All employers except state or local government agencies.	All employers.	All employers.
Tax law eligibility rules ^{1,2,3}	Must cover all employees who are 21, have worked three of the previous five years and earn at least \$500.	Must cover all employees who received at least \$5,000 of compensation during the current year and any two prior years.	Must be open to employees who are 21 and have completed one year of service based on classification that meets nondiscrimination tests.	Must cover employees who are 21 and have completed one year of service (two years if 100% immediate vesting) based on classification that meets nondiscrimination tests.	Must cover employees who are 21 and have completed one year of service (two years if 100% immediate vesting) based on classification that meets nondiscrimination tests.
Limits on contributions/benefits ³	Contributions for each participant are limited to the lesser of 25% compensation or \$46,000.	Employee deferrals are limited to \$10,500 per year or 100% of compensation. Employer contributions require a dollar-for-dollar match, up to 3% of compensation or a contribution of 2% of compensation for all employees. The \$230,000 compensation limit does not apply to the dollar-for-dollar match.	Any employer contributions are generally limited to 25% of aggregate compensation of all participants. Allocation to each participant is limited to the lesser of 100% of pay or \$46,000. Employee deferrals are limited to \$15,500 per calendar year. Employee deferrals and employer-match contributions for highly compensated employees may be subject to additional limits.	Total employer contributions are generally limited to 25% of aggregate compensation of all participants. Allocation to each participant is limited to the lesser of 100% of pay or \$46,000.	Employer contributions are actuarially determined to provide future benefits. Annual benefits are limited to the lesser of 100% of compensation or \$185,000.
Catch-up contributions ³	N/A	\$2,500 for participants age 50 and over.	\$5,000 for participants age 50 and over.	N/A	N/A
Post-tax Roth contributions permitted?	No.	No.	Yes, if allowed by plan.	No.	No.
Social Security integration permitted?	Yes, but requires a customized plan document.	No.	Yes, for employer contributions.	Yes.	Yes.
Tax and benefit law minimum vesting requirements ²	100% immediately.	100% immediately.	Any employer-matching contributions must be 100% vested after three years or graded vesting over a maximum of six years. Employee deferrals are 100% vested immediately.	Three-year 100% vesting or six-year graded vesting.	Five-year 100% vesting or seven-year graded vesting is permitted. If plan is top heavy, must be three-year 100% vesting or six-year graded vesting.
Forfeitures	N/A	N/A	May be reallocated to accounts of remaining participants or used to reduce employer contributions.	May be reallocated to accounts of remaining participants or used to reduce employer contributions.	Used to reduce employer contributions.
Tax law restrictions on distributions	Distributions may be made at any time but may be subject to 10% federal tax penalty if prior to age 59½. All proceeds are subject to ordinary income tax.	Distributions may be made at any time but may be subject to 10% federal tax penalty if prior to age 59½ (or a 25% tax penalty if the distribution is made during the first two years of participation). All proceeds are subject to ordinary income tax.	Distributions attributable to employee deferrals are only allowed on attainment of age 59½, death, disability, severance from employment, financial hardship or plan termination. All proceeds are subject to ordinary income tax with a possible 10% federal tax penalty if prior to age 59½.	All proceeds are subject to ordinary income tax with a possible 10% federal tax penalty if prior to age 59½.	Distributions are only allowed on death, disability, severance from employment or plan termination. All proceeds are subject to ordinary income tax with a possible 10% federal tax penalty if prior to age 59½.
Loans	Not permitted.	Not permitted.	Must be repaid within five years (longer if used for purchase of primary residence), installments at least quarterly. Aggregate loans from all employer plans are limited to the lesser of \$50,000 or 50% of the participant's vested account balance.	Must be repaid within five years (longer if used for purchase of primary residence), installments at least quarterly. Aggregate loans from all employer plans are limited to the lesser of \$50,000 or 50% of the participant's vested account balance.	Must be repaid within five years (longer if used for purchase of primary residence), installments at least quarterly. Aggregate loans from all employer plans are limited to the lesser of \$50,000 or 50% of the participants vested account balance.
Plan documents/plan reporting & disclosure	Form 5305-SEP may be used to establish the plan, with a copy given to each eligible employee. Additional reporting and disclosure rules may apply if customized plan document is used.	Form 5304-SIMPLE may be used to establish the plan and provide notices to each eligible employee.	No IRS standard plan document is available. Full ERISA reporting and disclosure is generally required, including an annual Form 5500.	No IRS standard plan document is available. Full ERISA reporting and disclosure is generally required, including an annual Form 5500.	No IRS standard plan document is available. Full ERISA reporting and disclosure is generally required, including an annual Form 5500. Actuarial report and Form PBGC-1 also required annually.