

# **WINCH FINANCIAL**

*Investing in Confidence*

Please refer to the list below for definitions of terms related to IRA Rollovers:

## **AGI**

A means of calculating federal income tax, your AGI subtracts your personal exemptions and itemized deductions from your gross income including wages, dividends and capital gains and interest earned on your investments.

## **Defined Benefit Plan**

A retirement plan in which the sponsoring company provides a certain benefit to participants based on a pre-determined formula.

## **ESOP (employee stock ownership plan)**

A qualified defined contribution plan in which plan assets are invested primarily or exclusively in the securities of the sponsoring employer.

## **Form 1099R**

A form sent to the recipient of a plan distribution and filed with the IRS listing the amount of the distribution.

## **Form 5500**

A form which all qualified retirement plans (excluding SEPs and SIMPLE IRAs) must file annually with the IRS.

## **Keogh Plan**

A qualified defined contribution plan permitting self-employed individuals to contribute a portion of their earnings pre-tax to an individual account.

## **Non-Qualified Deferred Compensation Plan**

A plan subject to tax, in which the assets of certain employees (usually Highly Compensated Employees) are deferred. These funds may be reached by an employer's creditors.

## **Profit Sharing Plan**

A company-sponsored plan funded only by company contributions. Company contributions may be determined by a fixed formula related to the employer's profits, or may be at the discretion of the board of directors.

## **RMD**

In most cases, a traditional IRA owner must begin taking money out of the IRA account by April 1 of the year he or she turns 70½. The amount is a minimum distribution which considers the investor's age and life expectancy, according to tables established by the IRS.

## **Rollover**

The action of moving plan assets from one qualified plan to another or to an IRA within sixty days of distributions, while retaining the tax benefits of a qualified plan.

## **SIMPLE Plan (savings incentive match plan for employees)**

A type of defined contribution plan for employers with 100 or fewer employees in which the employer matches 100% of employee deferrals up to 3% of compensation or provides nonelective contributions up to 2% of compensation. These contributions are immediately and 100% vested, and they are the only employer contribution to the plan. SIMPLE plans may be structured as individual retirement accounts (IRAs) or as 401(k) plans.

## **Simplified employee-pension plan (SEP)**

A defined contribution plan in which employers make contributions to individual employee accounts (similar to IRAs).

## **Tax Sheltered Annuity (TSA)**

Also known as a 403(b) plan, a TSA provides a tax shelter for 501(c)(3) tax exempt employers (which include public schools). Employers qualifying for a TSA may defer taxes on contributions to certain annuity contracts or custodial accounts.