

200/20 DECISION MATRIX

SUPPLEMENTAL RETIREMENT INCOME

THE RETIREMENT SAVINGS GAP is the difference between a retiree’s anticipated income replacement goal and the amount of Social Security and qualified retirement savings they accrue during their working years. The reason the gap exists is because as income rises this Gap also tends to increase. This reasoning is twofold: 1. Income growth typically results in increased standard of living expectations before and in retirement. 2. Social security benefits and qualified retirement accounts, like 401(k)’s, are limited by maximum income or contribution thresholds. As a result, high income earners need to save additional funds outside of their qualified retirement plan in order to fill this savings gap and achieve their retirement goal.

There are many factors to consider when identifying the proper supplemental retirement planning strategy. However, based on our analysis, there are two factors that heavily impact the decision on where to save:

GROSS INCOME

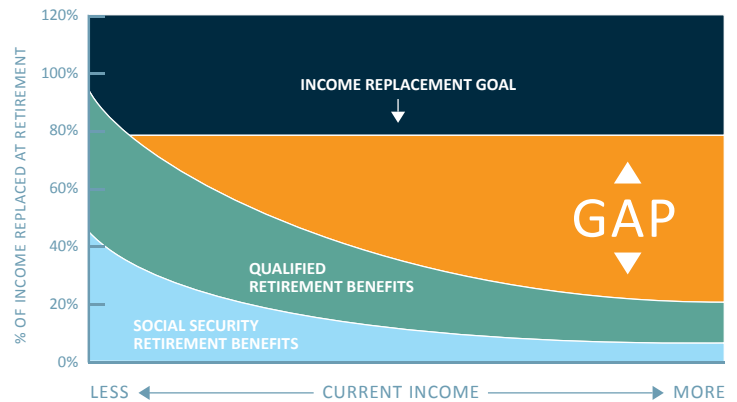
At around \$200,000 marginal tax brackets start to become significant, one begins to be concerned about having to pay additional taxes such as the Medicare surtax on unearned income, and other savings vehicles such as Roth IRAs are no longer available.

TIME HORIZON

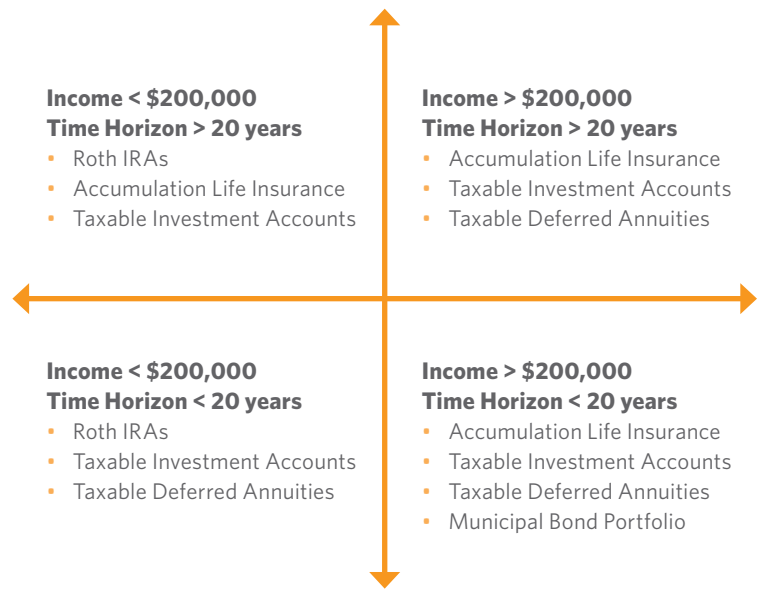
Some investment vehicles require a time horizon of 15 years in order to experience the benefits and 20 years in order to optimize their designs.

The recommended supplemental retirement vehicle for each scenario should be assessed based on unique facts and circumstances. The table to the right is intended to provide guidance on what vehicles may be better suited as supplemental retirement vehicles based on these primary factors of income and time horizon.

THE RETIREMENT SAVINGS GAP



200/20 SUPPLEMENTAL RETIREMENT MATRIX



This is a hypothetical study in nature and does not provide legal, tax, or accounting advice.

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