



## Overview of Tax-Advantage Savings Plans

Newly Proposed Plans			
Plan	Eligibility	Maximum Annual Contribution	Interactions with Other Plans
<b>Employer Retirement Savings Account (ERSA)</b>	Could be sponsored by any employer	\$12,000 deductible contribution (\$14,000 for 50 and up); after-tax contributions would be allowed	In 2004, all 401(k)s would become ERSA's; 403(b)s and some other plans could exist but could not accept new contributions
<b>Retirement Savings Account (RSA)</b>	Anyone with earned income	\$7,500 in after-tax money; distributions after age 58 aren't taxed or mandatory	-
<b>Lifetime Savings Account (LSA)</b>	All, for any type of saving, withdrawn at any time without penalty	\$7,500 in after-tax money; distributions are tax-free	-

Existing Retirement Plans				
Plan	Eligibility	Maximum Annual Contribution	Interactions with Other Plans	Effects of Bush Proposal
<b>457</b>	Public sector employees	The lesser of \$12,000 or 100 percent of adjusted gross income (\$14,000 for those 50 and up); contributions are tax-deferred and distributions are taxable.	The \$12,000/\$14,000 limit applies to all 457 plans a worker has, combined.	Uncertain. No new contributions after 2004 but 457 accounts could remain in existence.
<b>401(k)</b>	Offered by many private-sector employers (and certain tax-exempt organizations since 1996)	The lesser of \$12,000 or 100 percent of adjusted gross income (\$14,000 for those 50 and up); contribution is deductible from income, and distributions are taxable.	The \$12,000/\$14,000 limit applies to all 403(b) and 401(k) plans a worker has, combined. Limits the tax-deductibility of a worker's IRA	Would become an <u>ERSA</u> as of 2004
<b>403(b)</b>	Employees of certain tax-exempt and public education organizations	The lesser of \$12,000 or 100 percent of adjusted gross income (\$14,000 for those 50 and up); contribution is deductible from income, and distributions are taxable.	The \$12,000/\$14,000 limit applies to all 403(b) and 401(k) plans a worker has, combined.	No new contributions after 2004, but 403(b) accounts could remain in existence.
<b>Traditional IRA</b>	All workers under age 70 1/2 by the end of the calendar year.	\$3,000 for those under 50, \$3,500 for those 50 and over; contribution is sometimes deductible from income, and distributions are taxable.	Maximum contribution is for all a person's IRAs combined. Deductions are limited for workers with an employer retirement plan.	No new contributions after 2004, but IRA accounts could remain in existence. Traditional IRAs could be converted to <u>RSAs</u> but earnings and deductible contributions would be taxed. Taxes on conversions before 2004 could be paid over four years.
<b>Roth IRA</b>	Full contribution is limited to singles with income up to \$95,000, and to \$150,000 for married couples filing jointly; contribution phases out gradually beyond that	Full contribution is \$3,000 (\$3,500 for 50 and over); contribution is made with after-tax money, and distributions are tax-free	Maximum contribution is for all a person's IRAs combined	Would become an <u>RSA</u> as of 2004

Existing Non-Retirement Plans				
Plan	Eligibility	Maximum Annual Contribution	Interactions with Other Plans	Effects of Bush Proposal
<b>Coverdell ESA (formerly Education Savings IRA)</b>	Beneficiary must be under 18 (over 18 allowed for special-needs students); fund can be used for all levels of schooling	\$2,000; parents' income must be less than \$15,000	Plan holder may also have a 529 plan	Could be converted to an <u>LSA</u> before 2004. Could coexist with the proposed plans, including new contributions; Coverdell balance converted to an LSA would not be taxed and could be used for any purpose
<b>Section 529 Plan</b>	Anyone can establish an account for a designated beneficiary to use for qualified higher-education expenses	Varies by state	Plan holder may also have a Coverdell Plan	Could be converted to an <u>LSA</u> before 2004. Could coexist with the proposed plans; 529 balances converted to an LSA would not be taxed and could be used for any purpose
<b>Medical Savings Account (MSA)</b>	Self-employed, small-business owners and employees	Varies, around \$3,800 for a family	Cannot have other health coverage	Could be converted to an <u>LSA</u> before 2004. Could coexist with the proposed plans; MSA balances converted to an LSA would be taxed and could then be used for any purpose

*This information is provided by Annuity Financial Services as a service. It does not represent legal or tax advice. Contact your attorney, accountant or tax advisor for information regarding your particular circumstances.*