

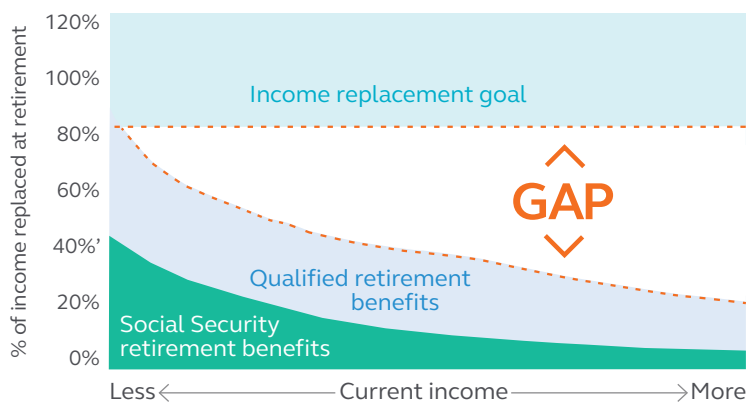
# Help your top talent avoid an income gap

Typical retirement sources might not be enough for your key employees. And you can help.



You've likely heard experts say that people need about 80 percent of their pre-retirement income to maintain their standard of living in retirement. Are your key employees on track to hit that mark?

The chart below shows the estimated percentage of income that will be replaced at retirement from Social Security and qualified plan benefits, such as a 401(k) plan. You'll see that as income goes up the percentage of benefits expected from qualified plans and social security goes down, creating an income gap. This gap could be filled using a nonqualified key employee benefit plan from Principal<sup>®</sup> which complements other retirement income sources.



This information is from the Principal Financial Group<sup>®</sup> Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin ([www.ssa.gov](http://www.ssa.gov)). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial or tax professional. © 2019 Principal Financial Services, Inc.

## Reasons for an income gap

Qualified 401(k) plans and Individual Retirement Accounts (IRAs) have limits to how much you can contribute each year. Plus, qualified plans may be subject to coverage and non-discrimination testing that can limit the amount of employee and employer contributions to the plan.

**For 2019, here are the savings limits for different retirement plans:**

**401(k) retirement plans:**

- \$125,000 of wages earned in the preceding year classifies an employee as highly compensated.
- 1.25%/2% nondiscrimination limit (sometimes called ADP or 401(k) testing limit).
- \$19,000 maximum deferral (\$25,000 if age 50 or older).
- \$280,000 maximum eligible compensation limit.
- 10% additional tax for early withdrawals.

**Defined contribution (profit sharing) retirement plan:**

- Total amount of company and employee contributions equal to the lesser of 100% of compensation or \$56,000.
- \$280,000 maximum eligible compensation limit.
- 10% additional tax for early withdrawals.

**Defined benefit (pension) retirement plan:**

- \$225,000 maximum annual benefit.
- \$280,000 maximum eligible compensation limit.

**Individual retirement account (IRA):**

- Employees with modified adjusted gross income above certain amounts (depending on filing status) cannot deduct contributions to an IRA account if participating in a qualified retirement plan.
  - › \$6,000 maximum contribution (\$7,000 if age 50 or older).
- 10% additional tax for early withdrawals.
- No Roth IRA contributions may be made if the individual's modified Adjusted Gross Income (AGI) is in excess of \$203,000 (married) or \$137,000 (single).

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**Your key employees need a way of saving more for retirement — you can help them do just that!**

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