

# RETIREMENT SAVINGS PLAN OPTIONS FOR OPTOMETRISTS

It's never too early or too late to start saving for retirement—so why not start saving now? Secure the financial future you've been working hard for. Start by reviewing this list of some of the options available to doctors of optometry.



## Options for the OD working as an employee of a practice

### Employer-offered 401(k) plan

Participating in your employer's 401(k) plan lets you choose your contribution amount, up to the federal maximum, with the freedom to change your contribution at any time. Contributions are deducted from your salary before income taxes, so taxes are deferred until you withdraw the money, typically when you're retired and often in a lower income tax bracket.

### Traditional Individual Retirement Arrangement (IRA)

An IRA can be a good choice if your employer does not offer a retirement savings plan or you are concerned that a 401(k)'s contribution limits will not meet your savings goals. Contributions may lower your taxable income, and earnings grow tax-deferred until withdrawn, usually at retirement when you may be in a lower income tax bracket.

### Roth IRA

With a Roth IRA you make contributions with money you've already paid taxes on. This allows your savings to grow tax-free, so you can make tax-free withdrawals in retirement provided the stipulated conditions are met.

### Safe Harbor 401(k)

For 2021, Safe Harbor 401(k) plans offer a deferral of up to \$19,500, regardless of employee participation levels, and \$26,000 for those aged 50 years or older. Employers are required to contribute yearly but can bypass discrimination testing.

### Traditional 401(k)

Offering flexibility and higher contribution limits, these plans require greater administration than a SIMPLE or Safe Harbor 401(k). A traditional 401(k) can incentivize long-term employment by adding allocation conditions and/or a vesting schedule to match contributions.

### SIMPLE 401(k)

A SIMPLE 401(k) gives small practices an affordable way to offer retirement benefits to employees. Employee participation is not required, giving the owner more control over contribution amounts.

## Options for the OD who is a practice owner with eligible employees

### New Comparability 401(k)

A New Comparability 401(k) plan helps small practices maximize owner contributions up to the legal limit by allowing employers to allocate contribution rates to different employee groups.

### Simplified Employee Pension (SEP IRA)

With flexible annual contributions, employer-funded SEP IRAs provide employers with a simpler way to make retirement contributions for themselves and their employees.

### Cash Balance

While traditional defined benefit plans provide for a specific benefit at retirement, a cash balance plan provides the benefit at retirement in the form of an account balance.

## Options for the OD working as an independent contractor or a practice owner with no qualifying employees

### Owners 401(k) Plan

Inexpensive to set up, Owners 401(k) plans let you decide each year whether to contribute and are not limited by employee contribution restrictions.

### Cash Balance

While traditional defined benefit plans provide for a specific benefit at retirement, a cash balance plan provides the benefit at retirement in the form of an account balance.

Choosing a retirement savings plan doesn't have to be complicated. Complete [this form](#) to connect with AOAExcel's endorsed retirement program specialists, Equitable Financial, to receive a complimentary financial review. They'll help identify the appropriate retirement savings plan option to help you meet your savings goals.