



LIONSHEAD
WEALTH MANAGEMENT

Kids-Centric 401(k)

Who is eligible?

❖ **EVERYONE!**

❖ **When can I enroll? TODAY!**

❖ You may begin saving in the plan from your paycheck immediately

Saving in the Plan

- ❖ There are THREE ways that you will benefit:
 - ❖ Automatic 3% contribution of annual compensation paid by Kids-Centric, Inc.
 - ❖ 'Profit sharing' contributions - additional benefits paid for by Kids-Centric
 - ❖ Salary deferral option for employees – take money from your paycheck and contribute to your savings directly, deferring current taxes on the income

NOTE: There are separate eligibility requirements for automatic 3% contributions (safe harbor) and vesting schedules for profit sharing plan (see page 7).



First: How much to save?

- ❖ Start with a number that is (almost) uncomfortable, up to ~15% of your salary,
- ❖ Guidelines - 5% or 10% is a good starting point too
- ❖ **You can change your contribution amount at **any time****
- ❖ *Fierce* saving recommendation:
 - ❖ Increase your contribution by 1% annually (auto escalate)

Second: How to Invest

- Lionshead will help you with your investment choices!
- Step 1) Understand your risk tolerance – how much volatility can you tolerate? How much *should* you tolerate?
- Step 2) Consider your time horizon – how old are you? When do you plan to stop working?
- Step 3) Determine your asset allocation – how much to invest in stock funds vs. bond funds
- Step 4) Pick your portfolio! (Don't worry – we will help you every step of the way!!)
- Step 5) Check on it, if you want to. Otherwise, check in with us every so often to see how you're doing.
- Rest assured, we are monitoring all investments continuously on your behalf and will make changes if and when they are necessary!
- Keep on saving!



Benefits of a 401(k) Plan

❖ Tax advantages

❖ Employer match



Convenience

Simply decide how much you'd like to contribute and the money is automatically taken out of your paycheck – before you have a chance to spend it. For example, the \$1.50 you might pay for a cup of coffee every day could add up to more than \$65,000 over 30 years if you save in the plan.*

* Assuming the \$1.50 a day earned an 8% annual return for 30 years.



Growth Potential Over the Long Term

The longer you stay invested in the plan, the greater likelihood you'll have of reaching your retirement goals. That's because you have the potential to make money on what you've invested and on any account earnings.



Pretax Contributions

If you contribute \$100 from every paycheck, it may cost you only \$75 in actual take-home pay because the money is deducted directly from your paycheck before you pay any taxes.†

† Assuming that you pay 25% in taxes.



Check Out Your Plan's Website

For a closer look at your plan's benefits and how they can help you reach your retirement goals, visit myretirement.americanfunds.com.



Paycheck Math

Annual Salary - \$75,000

NO 401(k) contribution:

| | |
|------------------|---------|
| Gross Pay: | 2,885 |
| FICA: | -221 |
| Taxable Wages | 2,664 |
| Fed Income Tax | -438 |
| State Income Tax | -144 |
| Total Taxes | -803 |
| Net Pay | \$2,082 |

5% 401(k) contribution:

| | |
|---------------------|------------------------------|
| Gross Pay: | 2,885 |
| FICA: | -221 |
| 401(k) contribution | 144 |
| Taxable Wages: | 2,520 |
| Fed Income Tax | -414 |
| State Income Tax | -136 |
| Total Taxes | -771 |
| Net Pay | \$1,970+\$144(401k)= \$2,114 |

Tax Savings: \$32/per payroll

*Annual Tax Savings: ~ \$800

Fed Income Tax ~ 16.44%

NYS Income Tax ~ 5.4%



Plan Details

Safe Harbor Employer Contribution - If you are eligible to receive a Safe Harbor Employer Contribution, Kids-Centric will contribute 3% of your compensation for you. You must fulfill the minimum service requirement (MSR) to be eligible – work *at least* 1,000 hours within the 12-month period following your hire date or any subsequent year. First contribution date is based on semi-annual entry following meeting MSR. **100% vested on contribution date – all yours!**

Profit Sharing Contributions – Vesting under a “6-year graded vesting schedule.” You will have a complete ownership interest in your Employer Contributions once you have completed six (6) Years of Vesting Service. Prior to the completion of six Years of Vesting Service, you will be vested in your Employer Contribution account under the following schedule:

| Years of Vesting Service | Vested percentage |
|--------------------------|-------------------|
| 0-1 | 0% |
| 2 | 20% |
| 3 | 40% |
| 4 | 60% |
| 5 | 80% |
| 6 | 100% |



Compound Annual Projection

- ❖ Age 35
- ❖ 75,000 annual salary
- ❖ Contribute 6% of salary or \$4,500 annually
- ❖ Kids-Centric contributes 3% of salary
- ❖ 7% annual return

At age 66:

WHAT'S IT WORTH???

It's worth:

\$850,165

Not including profit sharing plan contribution, which could easily bring the balance over \$1MM!

What happens if I leave Kids- Centric?

The vested funds are yours!

Your options are:

1. Rollover to an IRA
2. Rollover your assets to your current employers' 401(k) plan
3. Take a cash distribution

Ineligible?

Alternatives:

1. Contributory IRA
2. Roth IRA
3. If you are self-employed and would like to contribute more than \$6,000: SEP-IRA

Financial planning items

Beyond your 401(k) plan, there are some basic, important steps to ensure a secure financial future...

Do you.....

- 1) Own life insurance?
- 2) Disability insurance?
- 3) Have a will? (Free! via ARAG through Principal.com)
- 4) Other savings outside retirement accounts? Is it invested? How?
- 5) Old retirement accounts? Consolidate? Roll over to Kids-Centric 401(k) – we can help!
- 6) College saving, student loans, budgeting, home purchase, credit and more resources through Enrich (free access via Principal.com)