**General Terms**

***Directions: Read over the following information. You will take that information and answer the questions below on your poster. The answers should be in your own words, not word for word what is on this sheet. Summarize the information so that your fellow students would be able to understand it on your poster.***

DEFINITION OF 'DEFINED-BENEFIT PLAN: An employer-sponsored retirement plan where employee benefits are sorted out based on a formula using factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the company. There are also restrictions on when and how you can withdraw these funds without penalties. Also known as "qualified benefit plan" or "non-qualified benefit plan."

This fund is different from many pension funds where payouts are somewhat dependent on the return of the invested funds. Therefore, employers will need to dip into the company’s earnings in the event that the returns from the investments devoted to funding the employee's retirement result in a funding shortfall. The payouts made to retiring employees participating in defined-benefit plans are determined by more personalized factors, like length of employment.

DEFINITION OF 'DEFINED-CONTRIBUTION PLAN: A retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Investment risk is defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment. The chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. Different versions of risk are usually measured by calculating the standard deviation of the historical returns or average returns of a specific investment. A high standard deviation indicates a high degree of risk. Many companies now allocate large amounts of money and time in developing risk management strategies to help manage risks associated with their business and investment dealings. A key component of the risk management process is risk assessment, which involves the determination of the risks surrounding a business or investment.

**On your poster you should include:**

1. What does defined contribution plan mean?

2. What does defined benefit plan mean?

3. What does investment risk mean?

**IRA**

***Directions: Read over the following information. You will take that information and answer the questions below on your poster. The answers should be in your own words, not word for word what is on this sheet. Summarize the information so that your fellow students would be able to understand it on your poster.***

IRA stands for Individual Retirement Account, and it's basically a savings account with big tax breaks, making it an ideal way to sock away cash for your retirement. A lot of people mistakenly think an IRA itself is an investment - but it's just the basket in which you keep stocks, bonds, mutual funds and other assets. Unlike 401(k)s, which are accounts provided by your company, the most common types of IRAs are accounts that you open on your own. Others can be opened by self-employed individuals and small business owners. There are several different types of IRAs, including [traditional IRAs](http://money.cnn.com/retirement/guide/IRA_traditional.moneymag/index.htm), [Roth IRAs](http://money.cnn.com/retirement/guide/IRA_Roth.moneymag/index.htm), [SEP IRAs](http://money.cnn.com/retirement/guide/IRA_SEP.moneymag/index.htm), and [SIMPLE IRAs](http://money.cnn.com/retirement/guide/IRA_SIMPLE.moneymag/index.htm).

Individual Retirement Accounts, or IRAs, are basically savings plans with lots of restrictions. The main advantage of an IRA is that you defer paying taxes on the earnings and growth of your savings until you actually withdraw the money. The main disadvantage is the tax law imposes stiff penalties if you withdraw the funds before you turn age 59.5 years old. There are different types of IRAs, each with their own tax implications and eligibility requirements.

With a traditional IRA, you get a tax deduction for the savings you contribute to the account. This deduction reduces your taxable income, so you are basically not paying tax on the income you set aside in a Traditional IRA. The savings grow tax-deferred, which means you won't have to include interest, dividends, or capital gains from the IRA in your annual income. When you withdraw the money, the distribution from the IRA is included in your taxable income. It is taxed as ordinary income. If you withdraw the money before reaching age 59 and a half, there is an additional 10% tax on that early distribution. You must begin withdrawing money from a traditional IRA beginning with the year when you turn age 70.5 years old.

There are restrictions on who can take a deduction for Traditional IRA contributions. If you or your spouse are covered by a retirement plan at work, your deduction may be limited or you might not be able to deduct any of your contribution.

**On your poster you should include:**

1. What does IRA stand for?

2. Is it a defined contribution plan or defined benefit plan?

3. Who assumes the investment risk: employer or employee?

4. Is an IRA run directly through an investment company or through an employer?

**Pensions**

***Directions: Read over the following information. You will take that information and answer the questions below on your poster. The answers should be in your own words, not word for word what is on this sheet. Summarize the information so that your fellow students would be able to understand it on your poster.***

A pension is a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed during their working life. A pension is a retirement account that an employer maintains to give you a fixed payout when you retire. It's a kind of defined benefit plan. Your payout typically depends on how long you worked for your employer and on your salary. When you retire, you can choose between a lump-sum payout or a monthly "annuity" payment.

DEFINITION OF 'PENSION PLAN'

A type of retirement plan, usually tax exempt, wherein an employer makes contributions toward a pool of funds set aside for an employee's future benefit. The pool of funds is then invested on the employee's behalf, allowing the employee to receive benefits upon retirement.

INVESTOPEDIA EXPLAINS 'PENSION PLAN'

In many ways, a pension plan is a method in which an employee transfers part of his or her current income stream toward retirement income. There are two main types of pension plans: defined-benefit plans and defined-contribution plans.

In a defined-benefit plan, the employer guarantees that the employee will receive a definite amount of benefit upon retirement, regardless of the performance of the underlying investment pool.

In a defined-contribution plan the employer makes predefined contributions for the employee, but the final amount of benefit received by the employee depends on the investment's performance.

**On your poster you should include:**

1. What is a pension?

2. Is it a defined contribution plan or defined benefit plan?

3. Who assumes the investment risk: employer or employee?

4. Is a pension run directly through an investment company or through an employer?

**401 (K)**

***Directions: Read over the following information. You will take that information and answer the questions below on your poster. The answers should be in your own words, not word for word what is on this sheet. Summarize the information so that your fellow students would be able to understand it on your poster.***

A 401(k) is a retirement savings plan sponsored by an employer. It lets workers save and invest a piece of their paycheck before taxes are taken out. Taxes aren’t paid until the money is withdrawn from the account.

401(k) plans, named for the section of the tax code that governs them, arose during the 1980s as a supplement to pensions. Most employers used to offer pension funds. Pension funds were managed by the employer and they paid out a steady income over the course of the retirement. (If you have a government job or a strong union, you might still be eligible for a pension.) But as the cost of running pensions escalated, employers started replacing them with 401(k)s.

With a 401(k), you control how your money is invested. Most plans offer a spread of mutual funds composed of stocks, bonds, and money market investments. The most popular option tends to be target-date funds, a combination of stocks and bonds that gradually become more conservative as you reach retirement.

While a 401(k) can help you save, it has plenty of restrictions and caveats. In most cases, you can’t tap into your employer’s contributions immediately. Vesting is the amount of time you must work for your company before gaining access to its payments to your 401(k). (Your payments, on the other hand, vest immediately.) It’s an insurance against employees leaving early. On top of that, there are complex rules about when you can withdraw your money and costly penalties for pulling funds out before retirement age.

To oversee your account, your employer usually hires an administrator like Fidelity Investments. They’ll email you updates about your plan and its performance, manage the paperwork and assist you with requests. If you want to keep watch over your account or shift your money around, go to your administrator’s web site or call their help center.

**On your poster you should include:**

1. What is a 401 (k)?

2. Is it a defined contribution or defined benefit plan?

3. Who assumes the investment risk: employer or employee?

4. Is a 401 (k) run directly through an investment company or through an employer?