Franklin Templeton Investments Retirement Plan Overview

REFERENCE GUIDE

FRANKLIN TEMPLETON INVESTMENTS

	Traditional IRA	Rollover IRA
May Be Suitable For	• Wage earners who want to save independently for retirement • Non-wage-earning spouses who file a joint tax return • Clients who may not qualify to make a Roth IRA contribution but would like to convert to a Roth IRA (NOTE: if the client has existing pre-tax IRA assets, the Roth IRA conversion will be partially taxable)	• Individuals who are about to receive a retirement plan distribution • Employer-sponsored retirement plan distributions received by a surviving spouse[2] • Non-spouse beneficiaries of employer-sponsored plans who wish to establish an "inherited" IRA[2]
Features	• Earnings accumulate tax deferred • Contributions may be tax deductible • A direct rollover from a 401(k) or other retirement plan enables the participant to defer federal and applicable state income taxes and avoid additional 10% federal and applicable state taxes on early withdrawals taken prior to age 59½ • Direct rollovers and 60-day rollovers (see Rollover IRA Features to the right) may be made to a Traditional IRA by investors who do not want to establish a separate Rollover IRA	• Earnings accumulate tax deferred • A direct rollover from a 401(k) or other retirement plan enables the participant to defer federal and applicable state income taxes and avoid additional 10% federal and applicable state taxes on withdrawals taken prior to age 59½ • Investors may roll over distributions from retirement plans, such as 401(k), 403(b) and government 457 plans, directly or within 60 days of receipt • Easy to establish and maintain
Eligibility Requirements	• Must have earned compensation during the year or be married to a wage earner • Must be under 70½ years old • No income limits to contribute – If account owner or spouse is eligible to participate in an employer-sponsored retirement plan, IRA deductibility may depend on participant modified Adjusted Gross Income (AGI) – See *IRA Deductibility Restrictions* located on page 5	• No income requirement or limit • No age limit
Plan Contribution Limits	• Annual contributions of up to $5,500 for tax years 2013 and 2014 or 100% of compensation, whichever is less[1] • Spouses who file a joint tax return may each contribute up to $5,500 for tax years 2013 and 2014[1] • Additional annual catch-up contribution of $1,000 for investors age 50 and older in 2013 and 2014	• Rollover contributions of up to the eligible rollover distribution • If Traditional IRA contributions are made to the Rollover IRA, the Traditional IRA plan contribution limits apply
Deadline to Set Up/Contribute	• To receive contribution credit for the current year, the contribution must be made by the tax-filing deadline, not including extensions (usually April 15 of the following year)	• If the distribution is received by the participant (or surviving spouse beneficiary), it must be rolled over within 60 days of receipt to defer federal and applicable state income taxes and avoid the additional 10% federal and applicable state taxes on withdrawals taken prior to age 59½ • If failure to meet this requirement is due to an event beyond the reasonable control of the investor, the IRS may be petitioned for a waiver of the 60-day rule
Distributions	• Distributions may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies (See page 5, *Distribution Tax Exceptions*) • Minimum distributions required beginning at age 70½	• Same as Traditional IRA

The material is being provided for educational and information purposes only and is not intended to provide tax advice. Investors should seek advice from their financial or tax advisors about the tax consequences of their investments or potential investments based on their particular financial circumstances.

	Roth IRA	SEP IRA
May Be Suitable For	• Wage earners who want to save independently for retirement • Non-wage-earning spouses who file a joint tax return • Individuals with Traditional IRAs (as well as SEP or SIMPLE IRAs) who do not expect to take withdrawals for at least five years • Clients interested in legacy planning	• Self-employed individuals or small employers with variable earnings seeking an alternative to a 401(k) plan and the flexibility to change contributions annually
Features	• Tax-free growth and distribution of earnings (provided certain conditions are met) • Effective January 1, 2010, IRA assets can be converted to a Roth IRA, regardless of income (NOTE: if your client has any pre-tax IRA assets, the Roth IRA conversion will be at least partially taxable) • Contributions, which are non-deductible, may be made even after the investor reaches age 70½ • Can be used in conjunction with any retirement plan • Easy to establish and maintain • No minimum distribution requirements during the participant's lifetime	• Earnings accumulate tax deferred • Nondiscrimination testing not required and no participation requirements • Low administrative cost • Minimal IRS filings and paperwork • Employer has flexibility to vary the contribution rate annually • Employer is not committed to contributions for any future years • Employees are immediately 100% vested in contributions made to their account • Easy for employers to establish and maintain
Eligibility Requirements	*Married Filing Jointly* Full contribution if AGI is less than $178,000 in 2013 or less than $181,000 in 2014. Partial contribution available if AGI is between $178,000 and $188,000 in 2013 or between $181,000 and $191,000 in 2014. *Single* Full contribution if AGI is less than $112,000 in 2013 or less than $114,000 in 2014. Partial contribution available if AGI is between $112,000 and $127,000 in 2013 or between $114,000 and $129,000 in 2014.	Must include all employees who: • Are over 21 years of age • Have performed service in three of the preceding five years • Have earned at least $550 in 2013 or 2014 May exclude: • Union employees subject to collective bargaining • Certain nonresident aliens
Plan Contribution Limits	• Annual contributions of up to $5,500 for tax years 2013 and 2014 or 100% of compensation, whichever is less[1] • Spouses who file a joint tax return may each contribute up to $5,500 for tax years 2013 and 2014[1] • Additional annual catch-up contribution of $1,000 for investors age 50 and older in 2013 and 2014	• Up to 25% of total eligible payroll but not more than $51,000 per participant for tax year 2013 and $52,000 for tax year 2014.[3]
Deadline to Set Up/Contribute	• To receive contribution credit for the current year, the contribution must be made by the tax-filing deadline, not including extensions (usually April 15 of the following year)	• Employer's tax-filing deadline plus extensions
Distributions	• Distributions may be taken at any time but earnings may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies (See page 5, *Distribution Tax Exceptions*) • Distributions may only be considered tax-free[4] after five calendar years and when the Roth IRA owner satisfies one of the following: – Attains age 59½ – Becomes permanently disabled – Makes a first-time home purchase ($10,000 lifetime cap) – Dies	• Distributions may be taken at any time but may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies (See page 5, *Distribution Tax Exceptions*) • Minimum distributions required beginning at age 70½

	SIMPLE IRA	403(b)
May Be Suitable For	• Employers with 100 or fewer employees seeking an alternative to a 401(k) plan with fewer administrative requirements • Self-employed individuals with modest incomes • Employers who have not sponsored a different retirement plan during the calendar year	• Employees of public schools, certain tax-exempt organizations, universities, colleges, hospitals and churches
Features	• Pre-tax contributions may reduce employee's current taxable income • Earnings accumulate tax deferred • Nondiscrimination testing not required and no participation requirements • Low administrative cost • Minimal IRS filings and paperwork • Employees are immediately 100% vested in contributions made to their account • Easy for employers to establish and maintain	• Pre-tax contributions may reduce employee's current taxable income • Earnings accumulate tax deferred • Employer may make matching or discretionary contributions • Flexibility in plan design
Eligibility Requirements	Must include all employees who: • Earn at least $5,000 during two preceding years and can reasonably expect to earn at least $5,000 in current year (employer may impose less restrictive eligibility requirements) May exclude: • Union employees subject to collective bargaining • Certain nonresident aliens	• Employees of a public school or a qualified tax-exempt organization such as a church, nonprofit hospital, or home health service agency [under Internal Revenue Code Section 501(c)(3)]
Plan Contribution Limits	• $12,000 annual deferral limit in 2013 and 2014 • Employer must match deferrals dollar for dollar up to 3% of compensation[3] (can be lowered to 1% in 2 out of 5 years), OR employer can make a 2% (of compensation) contribution for each eligible employee • Additional annual catch-up contribution of $2,500 for investors age 50 and older in 2013 and 2014	• $17,500 annual deferral limit in 2013 and 2014 • Additional catch-up contribution of $5,500 for investors age 50 and older in 2013 and 2014 • Participants who have been with their employer for at least 15 years may be able to defer up to $3,000 more ($15,000 lifetime cap) • Total contributions per participant cannot exceed $51,000 for tax year 2013 and $52,000 for tax year 2014 • If the participant is 50 or older, total contributions per participant cannot exceed $56,500 in 2013 and $57,500 in 2014
Deadline to Set Up/Contribute	• New plans must be established between January 1 and October 1[5] • 60-day notice must be given to all eligible employees • Employer contributions must be made by employer's tax-filing deadline plus extensions	• Plan must be adopted by employer's year-end • Salary deferrals made only on a calendar-year basis • Employer contributions must be made by employer's tax-filing deadline, plus extensions
Distributions	• Distributions may be taken at any time but may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies (See page 5, *Distribution Tax Exceptions*) • The premature distribution tax is increased to 25% if the distribution is taken within the first two years of participation • Minimum distributions required beginning at age 70½	• Distributions may be taken only when the employee: – Separates from service – Attains age of 59½ – Is eligible for a qualified reservist distribution (if permitted by plan) – Is a participant in a plan that is terminated by the employer – Becomes permanently disabled – Dies • Plan may allow for distributions due to hardship. Contact employer for more information • Distributions may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies[6] (See page 5, *Distribution Tax Exceptions*) • Minimum distributions required beginning at age 70½ or retirement, whichever is later[7]

	401(k)	Profit Sharing Plan
May Be Suitable For	• Small to large companies who want to offer their employees a salary deferral plan	• Employers who want to offer a retirement savings plan with the flexibility to change contributions annually
Features	• Pre-tax contributions may reduce employee's current taxable income • Earnings accumulate tax deferred • Primarily employee funded • Employer may make matching or discretionary contributions • Vesting schedule available • Flexibility in plan design • May allow for plan loans	• Earnings accumulate tax deferred • Nondiscrimination testing required • Employer has flexibility to vary the contribution rate annually • Employer is not committed to contributions for any future years • Vesting schedule available
Eligibility Requirements	Must include all employees who: • Are at least age 21 • Have completed one year of service (must have worked at least 1,000 hours) May exclude: • Union employees subject to collective bargaining • Certain nonresident aliens	Must include all employees who: • Are at least age 21 • Have completed one year of service (at least 1,000 hours worked for the year), or two years of service, followed by immediate vesting May exclude: • Union employees subject to collective bargaining • Certain nonresident aliens
Plan Contribution Limits	• $17,500 annual deferral limit in 2013 and 2014 • Additional catch-up contribution of $5,500 for investors age 50 and older in 2013 and 2014 • Employer contribution may not exceed 25% of eligible participant compensation[3] • Total contributions per participant cannot exceed $51,000 for tax year 2013 and $52,000 for 2014 • If the participant is 50 or older, total contributions per participant cannot exceed $56,500 in 2013 and $57,500 in 2014	• Up to 25% of eligible compensation[3] but not more than $51,000 per participant for tax year 2013 and $52,000 for tax year 2014
Deadline to Set Up/Contribute	• Plan must be adopted by employer's year-end • Salary deferrals made only on a calendar-year basis • Employer contributions must be made by employer's tax-filing deadline, plus extensions	• Plan must be adopted by employer's year-end • Contributions must be made by employer's tax-filing deadline, plus extensions
Distributions	• Distributions may be taken only when the employee: – Separates from service – Attains the plan's normal retirement age – Is eligible for a financial hardship distribution (if permitted by plan) – Is eligible for a qualified reservist distribution (if permitted by plan) – Is a participant in a plan that is terminated by the employer – Becomes permanently disabled – Dies • Distributions may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies[6] (See page 5, *Distribution Tax Exceptions*) • Minimum distributions required beginning at age 70½ or retirement, whichever is later[7]	• Distributions may be taken only when the employee: – Separates from service – Attains age 59½ – Is eligible for a financial hardship distribution (if permitted by plan) – Is eligible for a qualified reservist distribution (if permitted by plan) – Is a participant in a plan that is terminated by the employer – Becomes permanently disabled – Dies • Distributions may be subject to additional 10% federal tax and applicable state tax if taken prior to age 59½ unless an exception applies[6] (See page 5, *Distribution Tax Exceptions*) • Minimum distributions required beginning at age 70½ or retirement, whichever is later[7]

401(k) and Profit Sharing Plans may invest in Franklin Templeton funds, but Franklin Templeton Bank & Trust does not offer plan documents, trustee or recordkeeping services for new 401(k) or Profit Sharing Plans. Advisors should contact Franklin Templeton at (800) 530-2432 for more information on 401(k)s and other defined contribution plans.

IRA Deductibility Restrictions

- **If neither spouse is eligible to participate in an employer-sponsored retirement plan**, there are no modified Adjusted Gross Income (AGI) limits.
- **If the account owner is eligible to participate in an employer-sponsored retirement plan**, IRA deductibility may depend on participant modified AGI as follows:

Tax Year 2013

Joint Return:
Full deduction if AGI is $95,000 or less.
Partial deduction if AGI is more than $95,000 but less than $115,000.

Single Return:
Full deduction if AGI is $59,000 or less.
Partial deduction if AGI is more than $59,000 but less than $69,000.

Tax Year 2014

Joint Return:
Full deduction if AGI is $96,000 or less.
Partial deduction if AGI is more than $96,000 but less than $116,000.

Single Return:
Full deduction if AGI is $60,000 or less.
Partial deduction if AGI is more than $60,000 but less than $70,000.

- **If the spouse of the account owner (but not the account owner) is eligible to participate in an employer-sponsored retirement plan**, IRA deductibility may depend on participant modified AGI as follows:

Tax Year 2013

Joint Return:
Full deduction if AGI is $178,000 or less.
Partial deduction if AGI is more than $178,000 but less than $188,000.

Tax Year 2014

Joint Return:
Full deduction if AGI is $181,000 or less.
Partial deduction if AGI is more than $181,000 but less than $191,000.

Distribution Tax Exceptions

For Traditional IRA, Roth IRA, SIMPLE IRA and SEP IRA:

If taken prior to age 59½, a distribution will generally be subject to additional 10% federal and applicable state early withdrawal taxes unless it is:

(1) rolled over to an IRA or an eligible employer-sponsored retirement plan within 60 days of receipt;

(2) due to the participant's death or permanent disability;

(3) part of a series of substantially equal periodic payments over a single or joint life expectancy that continues for the later of 5 years or the attainment of age 59½;

(4) used to meet deductible medical expenses;

(5) a distribution paid directly to the government to satisfy a federal tax levy;

(6) a timely removal of an excess contribution;

(7) used for a first-time home purchase (lifetime cap $10,000);

(8) used for qualified higher education expenses for the participant or a dependent;

(9) used to meet certain medical insurance payments for unemployed individuals;

(10) a qualified reservist distribution.

For 403(b), 401(k) and Profit Sharing Plans

If taken prior to age 59½, a distribution will generally be subject to additional 10% federal and applicable state early withdrawal taxes unless it is:

(1) rolled over to an IRA or an eligible employer-sponsored retirement plan within 60 days of receipt;

(2) due to the participant's death or permanent disability;

(3) part of a series of substantially equal periodic payments over a single or joint life expectancy that continues for the later of 5 years or the attainment of age 59½;

(4) used to meet deductible medical expenses;

(5) a distribution paid directly to the government to satisfy a federal tax levy;

(6) a timely removal of an excess contribution;

(7) due to severance from employment during or after the year a plan participant attains age 55;

(8) a qualified reservist distribution;

(9) made to an alternate payee under a qualified domestic relations order (QDRO).

You may find more complete information on the above-referenced plans in one or more of the following IRS Publications:

- Publication 560 – Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans)
- Publication 571 – Tax-Sheltered Annuity Plans [403(b) Plans]
- Publication 575 – Pension and Annuity Income
- Publication 590 – Individual Retirement Arrangements (IRAs)
- Publication 3998 – Choosing a Retirement Solution for Your Small Business
- Publication 4222 – 401(k) Plans for Small Businesses
- Publication 4806 – Profit-Sharing Plans for Small Business

If you require any of these publications or need additional information, you may contact the IRS at (800) TAX-FORM or at their website IRS.gov.

Footnotes

1. A participant may not contribute more than $5,500 in aggregate between a Traditional IRA and a Roth IRA.

2. A non-spouse beneficiary who inherits an eligible retirement account will be able to roll over the assets into an "inherited" IRA. Specific rules apply that a non-spouse beneficiary needs to follow in order to elect rollover treatment.

3. Amount of annual compensation taken into account in determining benefits is $255,000 for tax year 2013 and $260,000 for tax year 2014. Unincorporated, self-employed persons should consult a tax advisor regarding additional adjustments to income that may apply.

4. Distributions that do not meet one of the tax-free distribution events may be taxable. Taxability is accorded first to amounts that were contributed/converted, then earnings. Distributions of amounts that were previously taxed upon Roth IRA conversion are subject to the additional 10% federal and applicable state taxes if taken within five calendar years of the conversion.

5. This requirement does not apply to a new employer that comes into existence after October 1 of the year the SIMPLE IRA is established.

6. Distributions are generally subject to 20% federal withholding if not directly rolled over into an IRA. Distributions that are not rolled over may also be subject to additional 10% federal and applicable state taxes if received prior to age 59½.

7. Participants who own more than 5% of the company sponsoring the plan must begin taking distributions by April 1 following the year they reach age 70½.

Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers.

FOCUS ON INVESTMENT EXCELLENCE

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. Across the firm, our portfolio teams share a commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management.

GLOBAL PERSPECTIVE SHAPED BY LOCAL EXPERTISE

Today, smart investing demands a global perspective. Having pioneered global investing more than 60 years ago, our perspective is built on decades of experience and shaped by the local expertise of our investment professionals who are on the ground across the globe, working to spot smart investment ideas and potential risks firsthand.

STRENGTH AND EXPERIENCE

Since our founding in 1947, we've stayed focused on putting clients first and delivering relevant investment solutions, strong long-term results and reliable, personal service that have helped us to become a trusted partner to investors around the globe.

INVEST WITH A RETIREMENT LEADER®

Franklin Templeton Investments is a leader in retirement investing, managing over $200 billion on behalf of individuals, businesses and institutions.[1]

1. As of 3/31/14.

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