

How does **Anson's Profit Sharing** retirement plan compare to other retirement plans - **Employee Stock Ownership Plan (ESOP)** and traditional **401k** plan?

What is a retirement plan?

A method for **saving money** during the years you are employed that will be used as your income when you retire from working or are unable to work anymore. Often your **employer** provides retirement plan benefits to you during the years you work by **contributing money to your retirement** that is in addition to your wages.

How does **Anson's Profit Sharing** plan work, compared to either an ESOP or a 401K plan?

Anson's Profit Sharing plan – eligible employees receive a pre-tax contribution to their retirement account from Anson on an annual basis that can be used to invest in different types of investments that the employee chooses and as made available through the Profit Sharing plan sponsor, Mass Mutual. The amount of contribution is determined based on Anson's profits in the previous year and a point system factoring in the employee's years of service and compensation level. Employees have the option of contributing their own post-tax wages, but it is not required in order for Anson to contribute.

- ✓ **Annual Anson contribution based on company performance**
- ✓ **Employee chooses investments**
- ✓ **No employee contributions required**

Employee Stock Ownership Plan (ESOP) – eligible employees receive pre-tax shares of their employer's stock that often come with the ability to vote on shareholder-related matters. The amount of stock provided to employees is at the discretion of the employer using a pre-established formula. Employees are generally not allowed to invest their own wages in an ESOP and company stock is the only investment. The company stock is valued annually by an independent party based on many different factors, including company performance and market conditions.

- ✓ **Ownership in company**
- ✓ **Stock value based on company performance**
- ✓ **No employee contributions required**

PLEASE NOTE: ESOPs differ for each company; make sure to get all the details and ask a lot of questions.

Traditional 401K plan – eligible employees receive direct contributions or matching contributions (employer matches employee contributions up to a specific amount) to their retirement account on an annual basis that can be invested in different types of investments that the employee chooses and as made available by the plan sponsor. Employees may choose to contribute a portion of their own wages to the account; however, many plans require employee contributions before any employer matching contributions are made to the plan. Employer and Employee contributions are made either pre-tax (most common) or post-tax depending on the plan.

- ✓ **Employer matches % of employee contribution (most common)**
- ✓ **Employee chooses investments**
- ✓ **Pre- or post-tax contributions (depending on plan)**

A side-by-side look at **Anson's Profit Sharing plan** and other companies' ESOP and 401k plans.

	Anson's Profit Sharing	ESOP	401K
Eligibility period	1 year of service	1 year of service (typical)	1 year of service (typical)
Employer contribution	Yes Pre-tax up to 25% of wages	Yes Pre-tax up to 25% of wages	Yes Pre- or post-tax up to 25% of wages
Method of contribution	Profit and points formula	Profit and formula	Profit or guaranteed matching (most common)
Vesting of contribution	Yes Gradual up to 6 yrs service (100% vested after 6 yrs)	Yes 100% after 3 yrs service, or gradual up to 6 yrs service	Yes Immediate, 100% after 3 yrs, or gradual up to 6 yrs service
Employee contribution	Yes Post-tax up to 10% of wages	No	Yes Pre- or post-tax up to \$18,000
Max annual contribution (all types of tax sheltered plans)	\$54,000	\$54,000	\$54,000
Investment type	Marketable securities	Company Stock	Marketable securities
Investment valuation	Stock Market	Independent party	Stock Market
Investment choices	Yes	No Company stock only	Yes
Paid dividends	No	Yes Cash or stock	No
Rollover previous employer retirement plan	Yes	No	Yes
Eligibility to receive retirement money (or release of money to rollover into another plan)	65 yrs of age or company retirement age OR Immediate upon termination, death, or disability	1 yr after company retirement age or death/disability OR 5 yrs after termination	60 yrs of age or company retirement age OR Immediate upon termination, death, or disability
Incentivized by company performance	Yes	Yes	Possible (not common)

All Retirement plans vary for each employer. Make sure you receive a copy of the plan description from the employer and be prepared to ask a lot of questions, for example: What is the eligibility requirement to participate in the plan?

- How are employer contributions determined?
- What is the vesting period of the plan?

- Am I eligible to contribute my own wages to the plan? Is it pre- or post-tax?
- Are there other retirement or investing options for me at the company?
- What are the investment options in the plan?
- How often can I change my investment selections?
- Can I rollover my previous employer's retirement plan?
- How can I make sure I am properly diversified (mix of low and high risk investments)?
- Can I take a loan out against my retirement plan?
- What is the company's retirement eligibility (age, years of service, etc.)?
- Does anyone outside the ESOP have ownership in the company (e.g., original owners)?
- When I leave the company, how do I get paid for my vested ESOP shares and over what time period?
- Do I get interest on the unpaid portion of ESOP shares? How is interest determined?

What is the performance, including costs, of the ESOP plan over the past 1, 5, and 10 year periods?