

Retirement Planning Word Search

Answer Key

financepuzzles.com · Personal Finance

■ 10 Terms & Definitions

<p>IRA</p> <p>An Individual Retirement Account (IRA) is a personal tax-advantaged retirement savings account that anyone with earned income can open, regardless of employer. Traditional IRAs offer a potential tax deduction on contributions and tax-deferred growth (taxes paid on withdrawal). Ro</p>	<p>PENSION</p> <p>A pension (defined benefit plan) is a retirement plan in which an employer promises a specific monthly benefit in retirement, based on years of service and salary history. Unlike 401ks (defined contribution plans where the employee bears investment risk), pensions guarantee income</p>
<p>SOCIAL</p> <p>Social Security is the federal government's retirement, disability, and survivors insurance program, funded by payroll taxes (FICA). Retirement benefits are based on your 35 highest-earning years and the age at which you claim. Full retirement age (FRA) is 67 for those born after</p>	<p>WITHDRAWAL</p> <p>Retirement withdrawal strategy is how you draw down your savings during retirement. The 4% rule (also called the Safe Withdrawal Rate) suggests withdrawing 4% of your portfolio in year one, then adjusting for inflation annually — historically sustainable for 30+ year retirements.</p>
<p>RMD</p> <p>Required Minimum Distributions (RMDs) are mandatory annual withdrawals that the IRS requires from tax-deferred retirement accounts (Traditional IRA, 401k, 403b) starting at age 73 (per SECURE 2.0 Act). RMD amounts are calculated by dividing the account balance by IRS life expectancy</p>	<p>VESTING</p> <p>Vesting determines when you gain full ownership of employer-contributed retirement benefits — like 401k matching contributions or pension credits. With immediate vesting, employer contributions are yours from day one. With cliff vesting, you become 100% vested after a set period</p>
<p>ANNUITY</p> <p>An annuity is a financial product sold by insurance companies that provides guaranteed income payments in exchange for a lump sum or series of contributions. Fixed annuities pay a guaranteed interest rate. Variable annuities invest in sub-accounts (like mutual funds) with returns</p>	<p>SEQUENCE</p> <p>Sequence of returns risk is the danger that poor investment returns early in retirement — when you're drawing down your portfolio — can permanently impair your financial security. Even with the same average return over 30 years, retiring into a bear market is far more damaging than</p>
<p>ROTH</p> <p>A Roth IRA (named after Senator William Roth) is a retirement account funded with after-tax dollars where contributions grow tax-free and qualified withdrawals are completely tax-free. Unlike Traditional IRAs, there are no RMDs on Roth accounts during the owner's lifetime, making</p>	<p>CATCH</p> <p>Catch-up contributions are additional IRA and 401k contributions allowed for people aged 50 and older — recognizing that older workers may need to accelerate retirement savings. In 2024, those 50+ can contribute an extra \$7,500 to 401ks (total \$30,500) and an extra \$1,000 to IRAs</p>