

NAME: _____

DATE: _____

Funding 401(k)s and Roth IRAs

Directions

Complete the investment chart based on the facts given for each situation. Assume each person is following Dave's advice of investing 15% of their annual household income. Remember to follow the sequence of contributions recommended in the chapter.

INVESTMENT	ANNUAL SALARY	COMPANY MATCH	401(K)	ROTH IRA	TOTAL ANNUAL INVESTMENT
Joe	\$40,000	1:1 up to 5%			
Melissa	\$55,000	1:2 up to 6%			
Tyler & Megan	\$105,000	No Match			
Adrian	\$130,000	1:1 up to 3%			
David & Britney	\$150,000	No Match			
Brandon	\$35,000	2:1 up to 6%			
Chelsea	\$28,000	No Match			

Joe will take advantage of the company match (5% of salary) then put the rest in a Roth IRA.

Melissa will fund the 401(k) up to the match and put the remainder in her Roth IRA.

Tyler and Megan can each fund a Roth IRA then put the remainder in the 401(k). With no match, fund the Roth first (based on 2013 contribution of \$5,500 per individual).

Adrian is not eligible to open a Roth IRA because he makes too much money. He will put his entire 15% into his 401(k).

David and Britney are still within the guidelines for a married couple (based on 2013 contribution of \$5,500 per individual). After maxing out the IRA, they will fund the 401(k).

Brandon will fund his 401(k) up to the match, and then put the remainder in his Roth IRA.

Chelsea will fund her Roth IRA.