# Business and Personal Finance © 2012

**Chapter 24: Retirement and Estate Planning**

**Check Your Answers: Section Assessment**

**Section 2**

**Review Key Concepts**
**1.** TSA plans include 401(k) and 403(b) plans.

**2.** Tax-deferred interest and earnings, no annual limit on individual contributions, waives the 10 percent early withdrawal penalty if money is used for higher education, contributions do not reduce current taxes.

**3.** Social Security provides benefits to retirees, survivors, and disabled persons.

**Higher Order Thinking**
**4.** Employees should begin contributing to the 401(k) plan as soon as possible, and should contribute the maximum amount. If the employer offers matching contributions, invest enough to take full advantage. Understand and review your investment options, adjusting as necessary to maximize your earnings.

**21st Century Skills**
**5. Adapt to Change** Sample letter: Dear Damon, In order to maintain your current lifestyle and be able to afford the travel or equipment needed for your new pursuits, you should consider minimizing other expenses. For example, could you trade your car in for a more fuel-efficient model? Consider selling your home and buying a condo which would offer lower monthly utilities. Review your IRA to ensure that you are getting the highest returns possible. Do you have money in a savings account that you could use or invest to earn extra income?

**Mathematics**
**6. Early Retirement Planning** Interest earned year 1 = $2,500 × 9% = $225; Ending balance year 1 = $2,500 + $225 = $2,725; Beginning balance year 2 = $2,725; Interest earned year 2 = $2,725 × 9% = $245.25; Ending balance year 2 = $2,725 + $245.25 = $2,970.25; Beginning balance year 3 = $2,970.25; Interest earned year 3 = $2,970.25 × 9% = $267.32; Ending balance year 3 = $2,970.25 + $267.32 = $3,237.57; Beginning balance year 4 = $3,237.57; Interest earned year 4 = $3,237.57 × 9% = $291.38; Ending balance year 4 = $3,237.57 + $291.38 = $3,528.95; Beginning balance year 5 = $3,528.95; Interest earned year 5 = $3,528.95 × 9% = $317.61; Ending balance = $3,528.95 + $317.61 = $3,846.56