

## The TIC Care Retirement Solution

One of the biggest retirement savings problem for Americans abroad is the unavailability of tax-deferred plans such as Traditional IRAs and Roth IRAs when claiming the foreign earned income exemption.

"International Retirement Plans" from non-US providers suffer truly prohibitive penalties at the hands of the IRS. National provident funds are subject to current US taxation even if deferred by the host nation. Social Security is not available to employees not paid on a W2 by an American employer.

### The TIC Care Retirement Solution May Address These Issues

A US expatriate may make elective contributions of up to \$19,000 (\$25,000 if 50 or older). These contributions can be made into a Roth or conventional option depending on individual tax deferral needs.

- A foreign employer may now also match up to 25% of salary to a maximum total (employee plus employer) of \$55,000 per year in 2018. Employer contributions are always made into the tax-deferred portion of the plan.
- The employer is not required to be a US organization. While only US employees may participate in the plan, the employer can be any nationality.

### What Does This Mean For You?

What this means for your organization is that staff who don't pay US income tax on their salaries can contribute up to \$19,000 (\$25,000 if 50 or older) into a Roth account, while senior staff suffering US taxation on their income even while working abroad can greatly reduce their tax bite by using the conventional plan.

- The conventional contributions provide current tax savings since the payments are excluded from income for income tax purposes. At retirement there is full taxation on all withdrawals from the conventional option, both return of capital payments/contributions and the gains.
- A Roth contribution receives no tax break each year, but withdrawals at retirement are completely tax-free regardless of other sources and levels of income. For an American earning less than the Foreign Earned Income Deduction, the Roth option is clearly compelling.

See the brochure for the TIC Care Retirement Solution – Multiple Employer Plan, or discuss with your Investment Center representative to determine whether this option is right for your US staff.

Please Note: The Investment Center, Inc., does not provide tax advice. You should discuss your school, firm, or individual situation with a qualified tax professional to determine your specific liabilities and benefits.

Source (As of November 2018):

<http://www.irs.gov/instructions/i2555/index.html>

<http://www.dol.gov/ebsa/publications/401kplans.html>

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