

Retirement Management Services, LLC

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ROUTE TO:

BENCHMARKS, BENEFITS & MORE

January, 2009

NEW OWNERS AT RETIREMENT MANAGEMENT SERVICES, LLC!

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We are excited to announce that two of the Account Executives at RMS have become owners of the firm effective January 1, 2009.



Elizabeth Rankin Potts, CPA



Laura Stallard, CPA

Elizabeth Potts joined RMS early in 1998. She is a graduate of the University of Louisville and a Certified Public Accountant. Her background includes over 10 years of public accounting experience and 15 years of experience with qualified retirement plans. Ms. Potts is an active member of the Kentucky Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and the Louisville Employee Benefits Council. She also serves as a member of the program committee of the Louisville Employee Benefits Council and a member of the Small Business Committee for the Kentucky Society of CPAs. Ms. Potts is currently devoting most of her time to plan administration and consulting on defined contribution plans.

Laura Stallard joined RMS in January 2001 after devoting over seven years to public accounting. She is a Certified Public Accountant and an Account Executive specializing in consulting, administration and design of defined contribution plans. Her past experience consists of audits, financial statement preparation and tax compliance for employee benefit plans, closely held businesses and non-profit organizations. Ms. Stallard graduated from the University of Louisville in December, 1991 with a Bachelor of Science in Business Administration. She is an active member of the Kentucky Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the Louisville Employee Benefits Council. She is a graduate of the 1999 Focus Louisville Program and was a 1999 Business First's Forty Under Forty honoree. She has devoted much of her spare time to various civic endeavors.

With the existing owners, **Chuck Lynch**, President, and **Amber Lloyd**, Vice President, this brings the total number of Partners in the firm to four.

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Sunday, March 8th

For more information of interest to employers, plan participants, and other retirement advisors, visit our website at:

<http://www.consultRMS.com>

MUTUAL FUND PERFORMANCE FIGURESPeriods Ending: **December 31, 2008**

Taken from the New York Times, Sunday

1/11/2009

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
Domestic General Stock Funds									
Large Growth	-25.2 %	-23.1 %	-21.6 %	-43.8 %	-40.7 %	-37.8 %	-4.6 %	-3.1 %	-1.5 %
Mid-Cap Growth	-28.3	-26.4	-23.8	-47.7	-43.7	-39.9	-3.2	-1.2	0.4
Small Growth	-28.0	-26.4	-24.7	-43.2	-40.1	-37.6	-3.8	-1.8	-0.2
Large Blend	-23.9	-22.1	-21.0	-40.1	-37.4	-35.8	-2.9	-2.3	-1.1
Mid-Cap Blend	-27.3	-25.6	-22.0	-42.7	-38.4	-33.7	-2.2	-0.9	0.2
Small Blend	-27.3	-26.0	-24.6	-38.7	-35.6	-32.0	-2.4	-1.0	0.8
Large Value	-22.8	-21.2	-19.3	-39.8	-36.1	-33.6	-2.5	-1.3	0.2
Mid-Cap Value	-26.0	-23.4	-21.3	-39.9	-36.4	-33.4	-1.6	0.2	1.0
Small Value	-26.7	-24.2	-22.1	-33.8	-30.5	-27.2	-1.9	0.1	2.1
Moderate Allocation	-17.0	-14.9	-12.9	-31.6	-28.1	-25.1	-1.5	-0.1	0.8
Conservative Allocation	-13.0	-9.5	-7.8	-23.5	-19.3	-15.4	0.0	0.8	1.6
Target-Date 2000-2014	-14.4	-11.0	-8.6	-26.8	-22.2	-16.3	-0.6	0.6	1.2
Target-Date 2015-2029	-19.0	-17.7	-15.0	-34.1	-32.5	-28.2	-1.5	-1.1	-0.3
Target-Date 2030+	-22.3	-20.9	-19.5	-38.9	-36.8	-35.2	-2.2	-1.6	-1.2
Total	-25.3	-22.2	-19.3	-40.9	-37.1	-32.0	-2.9	-1.4	0.2
Domestic Specialized Stock Funds									
Communication	-26.3 %	-25.2 %	-22.0 %	-49.6 %	-48.5 %	-46.5 %	-6.5 %	-2.4 %	3.1 %
Financial	-30.1	-27.3	-17.1	-49.9	-46.1	-40.1	-9.7	-6.2	-4.4
Health	-18.3	-16.5	-14.0	-28.8	-26.0	-22.7	0.3	1.8	3.2
Natural Res	-39.6	-34.5	-30.4	-54.2	-51.2	-44.4	2.1	6.9	10.4
Precious Metals	-10.1	-6.5	-1.1	-37.7	-29.4	-25.1	4.5	7.2	9.3
Real Estate	-39.5	-37.9	-36.5	-40.1	-38.3	-36.4	-0.7	0.7	2.0
Technology	-26.7	-24.4	-22.4	-47.9	-44.6	-42.1	-6.9	-4.0	-1.3
Utilities	-16.2	-12.5	-10.2	-37.7	-32.6	-28.1	6.0	7.4	8.2
Bear Market	15.2	18.9	24.7	25.7	47.4	66.1	-2.1	0.1	3.9
Long-Short	-11.1	-4.6	0.4	-20.7	-9.0	-0.5	0.6	2.4	3.4
Total	-34.5	-23.1	-11.1	-45.4	-37.3	-26.0	-1.9	1.8	5.8
International Stock Funds									
Foreign Large Value	-23.6 %	-20.3 %	-17.9 %	-46.0 %	-42.5 %	-39.2 %	0.4 %	2.3 %	3.8 %
Foreign Large Blend	-22.3	-20.5	-19.3	-45.5	-43.1	-41.5	0.5	1.7	3.1
Foreign Large Growth	-26.3	-22.5	-19.7	-49.6	-47.0	-41.9	0.3	1.8	3.0
Foreign Small/Mid Value	-26.1	-21.5	-19.4	-48.9	-44.4	-41.7	2.0	2.6	4.9
Foreign Small/Mid Growth	-25.8	-22.2	-21.6	-52.4	-48.3	-45.7	2.2	3.0	5.0
World Stock	-23.6	-21.2	-19.2	-43.9	-40.7	-37.9	-1.1	0.2	2.6
Europe Stock	-25.4	-22.0	-21.3	-50.7	-46.7	-44.6	1.8	2.5	5.0
Divers. Pacific Asia	-17.2	-13.9	-13.6	-42.0	-37.4	-36.3	1.4	3.6	3.6
Pacific Asia ex-Japan	-22.7	-18.9	-15.1	-57.0	-52.7	-48.9	4.6	6.0	8.3
Japan Stock	-14.1	-14.1	-10.3	-34.4	-34.3	-31.1	-2.1	0.0	2.4
Divers. Emerg. Mkt	-30.5	-28.6	-26.8	-55.7	-53.3	-49.2	5.9	7.0	8.4
Latin America Stock	-36.4	-36.2	-35.5	-55.7	-54.7	-54.5	14.9	15.6	16.8
World Allocation	-16.6	-14.2	-10.0	-34.0	-27.8	-21.5	1.5	2.7	5.4
Global Real Estate	-31.1	-30.0	-26.3	-48.5	-45.8	-43.2	-0.1	0.8	2.8
Currency	-5.8	-5.6	2.4	-6.8	-6.1	1.1	4.8	4.8	5.1
Total	-24.5	-21.1	-18.5	-48.4	-43.6	-39.8	0.4	2.3	4.6

MUTUAL FUND PERFORMANCE FIGURESPeriods Ending: **December 31, 2008**

Taken from the New York Times, Sunday

1/11/2009

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
General Bond Funds									
Long-Term Bond	-3.6 %	3.5 %	13.0 %	-10.0 %	-3.1 %	7.8 %	1.4 %	3.5 %	3.7 %
Interm-Term Bond	-3.6	-0.2	3.3	-9.5	-3.9	2.9	1.0	2.7	3.9
Short-Term Bond	-3.3	-0.7	1.2	-5.5	-2.2	0.2	1.3	2.1	2.7
Total	-3.5	-0.4	2.6	-8.6	-2.8	1.9	1.1	2.4	3.5
Government Bond Funds									
Long Government	13.5 %	17.1 %	18.8 %	13.2 %	20.5 %	24.1 %	6.7 %	8.3 %	9.4 %
Interm. Government	1.8	3.7	5.6	3.4	6.8	8.3	3.6	4.2	4.9
Short Government	1.6	2.7	3.6	4.5	5.5	7.1	3.3	3.6	4.0
Inflation-Protected Bond	-4.1	-2.8	-2.2	-4.5	-2.4	-1.4	2.8	3.3	3.9
Total	-0.6	3.1	5.1	-0.9	5.4	8.0	3.3	4.0	4.7
Specialized Bond Funds									
Convertibles	-17.9 %	-16.2 %	-14.0 %	-34.7 %	-33.3 %	-29.8 %	-2.3 %	-1.9 %	-1.1 %
Ultrashort Bond	-7.0	-2.2	0.2	-12.5	-1.7	1.3	1.2	2.2	2.9
High Yield Bond	-21.7	-18.4	-14.9	-29.4	-25.6	-22.5	-2.1	-1.0	-0.3
Multisector Bond	-11.3	-9.0	-6.6	-20.5	-15.0	-11.1	0.8	1.7	2.5
World Bond	0.7	2.2	4.4	-4.0	-1.0	2.7	3.2	3.9	4.9
Emerging Market Bond	-13.7	-12.0	-7.7	-19.7	-17.7	-14.6	2.9	3.8	4.6
Bank Loan	-27.9	-24.5	-21.3	-35.0	-30.4	-28.4	-5.8	-4.1	-3.0
Total	-19.1	-13.1	-5.6	-28.0	-20.9	-10.3	-1.8	-0.1	2.5
Municipal Bond Funds									
Muni National Long	-6.7 %	-3.4 %	-1.2 %	-11.7 %	-8.0 %	-5.9 %	0.2 %	1.3 %	1.8 %
Muni National Int.	-2.5	0.3	1.6	-5.5	-1.7	0.4	1.5	2.1	2.6
Muni Single St. Long	-4.4	-1.8	-0.5	-8.6	-5.9	-4.8	1.1	1.6	2.0
Muni Single St. Int.	-1.2	1.0	2.2	-4.7	-1.5	0.7	1.6	2.2	2.6
Muni Single St. Shrt.	1.1	2.4	2.5	2.2	2.7	3.1	2.3	2.4	2.4
Muni National Shrt.	0.2	0.7	1.5	-0.1	2.5	3.0	2.1	2.4	2.6
Muni New York Long	-5.8	-1.6	0.2	-11.1	-6.7	-3.7	0.6	1.4	1.9
Muni California Long	-7.2	-4.3	-2.5	-12.4	-8.9	-6.8	0.3	1.1	1.6
Muni New York Int/Sh	-2.8	-0.9	1.6	-6.6	-2.0	2.0	1.1	1.9	2.4
Muni California Int/Sh	-4.7	0.1	1.0	-9.6	-2.1	-0.2	0.3	1.9	2.2
Muni Pennsylvania	-4.8	-2.4	-0.8	-9.9	-6.9	-3.7	0.5	1.5	1.8
Muni Massachusetts	-2.9	-1.6	0.2	-6.4	-4.9	-1.7	1.5	1.9	2.6
Muni New Jersey	-4.0	-2.0	-1.3	-8.5	-6.1	-4.5	1.4	1.7	2.2
Muni Ohio	-0.8	0.3	3.0	-4.1	-2.7	0.7	1.9	2.4	2.7
Muni Minnesota	-3.5	-1.4	0.8	-8.9	-3.5	-1.5	1.4	2.0	2.5
High Yield Muni	-22.4	-17.2	-15.3	-30.1	-23.0	-20.3	-4.3	-2.0	-1.2
Total	-5.0	-1.6	0.5	-9.9	-5.6	-1.4	0.6	1.7	2.3

The tables include Nasdaq funds with at least \$30 million in assets. Return figures assume the reinvestment of all dividends. Figures for five-year returns are annualized. The top-quarter figures show the return needed for a fund to rank in the top 25%



BALANCE FORWARD PLANS: MARKET VOLATILITY AND SPECIAL VALUATIONS

Between 10% and 20% of qualified defined contribution plans in the U.S. are “balance forward” plans – i.e., only updating participant account balances one, two, or four times per year. (The remaining plans use “daily” platforms – with a recordkeeping system, usually invested in publicly traded mutual funds, whereby account balances are literally updated every business day.) This article addresses the unusual circumstances that the balance forward plan faces when there is dramatic market volatility like we’ve seen in the last 12 months.

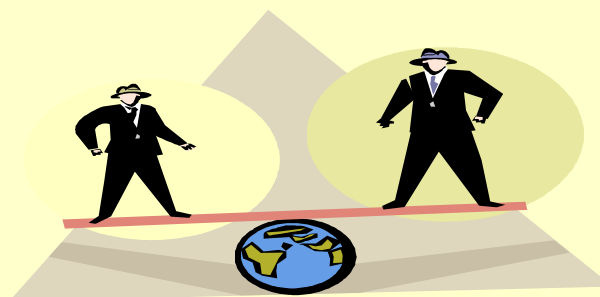
Consider the traditional balance forward profit sharing plan, with annual contributions by the company, and annual participant statements, dated as of December 31 each year. It generally takes several months after the end of the year before all the data can be collected, trust information reconciled, and company contribution decisions finalized so that participants can be told what their balances were as of the last day of the year. By the time the participant sees his annual statement, the underlying assets might have increased or decreased quite a bit if there is a lot of market volatility. Some of the issues to be addressed arise from the need to pay former employees, to process in-service withdrawals, or to honor participant elections to move money from one fund into another, including:

- 1) If a participant is to be paid his benefit once the value is known, should there be a special valuation in order to account for the change in market value? What about the related cost of a special valuation?
- 2) Does the plan document allow for a special valuation? If the plan needs to be amended, can special valuations only be declared for people who request distributions after the amendment is signed?
- 3) Keep in mind this is a “zero-sum game” – if one person is overpaid, then all other participants’ account balances take a hit for the loss. A special valuation will never please everyone if the market is down. If one participant makes up 80% of the assets, and he takes a distribution right after the market drops 30%, then obviously something has to give, because the entire plan’s assets are less than this one participant’s pre-loss balance.
- 4) This is a judgment call. Has there been enough change (up or down) to justify the extra cost?
 - a. Large distributions and large swings in market value create disproportionate problems.
 - b. What factors are recognized in making the decision to have a special valuation?
 - i. Market change?
 - ii. Size of the account balance being distributed, relative to the whole plan?
 - iii. Have any precedents been set in the past?
 - iv. What is the cost of the special valuation? (If the trust is bearing the expense of the special valuation, most trustees would not think it fair to pay \$3,500 for a special valuation if it is only going to change a participant’s distribution by several hundred dollars.)
- 5) If doing a special valuation, should the employer go to the trouble to generate an interim statement for *all* participants, or just for those getting a distribution?

BALANCE FORWARD PLANS:
MARKET VOLATILITY AND SPECIAL VALUATIONS
(continued)

- 6) Some of the fiduciary issues:
- a. How is “fairness” defined? The Plan Administrator and Trustee must act in the best interest of *all* participants. Treating a Highly Compensated Employee more favorably than a Non-Highly Compensated Employee would be deemed a violation of the nondiscrimination rules.
 - b. The interests of the current employees can be opposite that of the former employees yet to be paid out.
 - c. Could there be potential litigation if there is not a special valuation?
 - d. Should the plan have a policy that if the trust, or some market index, has changed by more than X% then a special valuation should be considered?
 - e. If the Trustee happens to also be a participant, is there a conflict of interest for him to be involved in the decision when it can affect his own account?
 - f. One participant might request prior to a regular account update that a distribution be made after that regular update is completed. On the other hand, another participant might request a distribution right after the update is completed, knowing the market has already dropped. Should a request made with hindsight be treated differently from one made with no such hindsight?
- 7) If converting to cash only *after* the special valuation date, then will the sale still come in at the expected results, or will it generate more than expected or less than expected? Deciding how much stock to sell, in order to raise cash for distributions, is always a moving target.
- 8) Should the participant statements carry an explanation that this balance might not be the balance on the date of the distribution due to market changes?
- 9) These problems are part of the reason that many balance forward plans pay distributions only after plan year-end, instead of when the participant leaves. In daily plans a request for a distribution requires the liquidation of the participant’s shares or units of the underlying funds. He is only paid the resulting cash, thus not impacting any other participant’s balances.
- 10) Turnaround time – daily vs. balance forward: *Sometimes* a daily system can be less costly (than multiple balance forward valuations per year) and provide faster turnaround time.

We have helped a number of clients get into a daily platform so that these issues won’t exist. If we can ever be of help in discussing these issues, please don’t hesitate to contact us.



WHY WOULD AN OWNER CHOOSE TO SELL 100% TO AN ESOP?

You might think that when a company first chooses to adopt an ESOP, an owner might sell part of the company one year, and then more in later years, after waiting to see if the first sale works without problems. However, in practice, there are a number of reasons to sell all of the company at one time.

- A) By selling the entire company to the ESOP, the seller can get a price based on a *majority* interest. In other words, there won't be the typical minority discount applied to the price the seller gets for the stock.
- B) By selling all of the company, the seller gets to immediately diversify all of his ownership.
- C) If *all* of a corporation is sold to an ESOP (as an S Corporation, or a C Corporation that makes a subsequent S election) what was a taxable corporation becomes, in essence, a tax free entity. There are some exceptions; but this is an extremely attractive arrangement used by many companies. As a result:
 - 1) Paying no corporate income taxes, there is more cash available for buying out the seller.
 - 2) There is no problem building up a cash reserve *within* the corporation to later be able to buy back shares from participants terminating employment. (And there are advantages to having this cash reserve accumulated in the corporation, instead of in the ESOP.)
 - 3) With no need to pay dividends to a non-ESOP shareholder (for paying personal taxes), you won't have to pay dividends to the *participants* in the ESOP. Sometimes this allows more flexibility and other uses for the corporation's cash.
 - 4) Because the ESOP-owned company is an S corporation, former employees cannot demand *shares* when they take a benefit distribution from the ESOP.
- D) Also, as an S corporation wholly owned by an ESOP, there are no stumbling blocks or problems with the "reasonableness" rules on distributions, as there are with C corporation dividends. This makes it easier to put more cash into an ESOP than the various limits would otherwise allow. The use of S corporation distributions and C corporation dividends are much more complicated when there are non-ESOP taxable shareholders.
- E) Since the sale is for 100%, an individual selling a C corporation to an ESOP gets to invoke Code Section 1042 for the delay of capital gains, because the Code only requires the sale of at least 30%.
- F) With no owners other than the ESOP, there is no longer the concern that ESOP activity will dilute the value of non-ESOP shareholders' interests.
- G) If the company is an S corporation *partially* owned by an ESOP, then when the ESOP borrows again to purchase *more* stock, the stock value typically drops due to the company guaranteeing the second loan. This creates communication problems regarding employees who were credited stock from the *first* sale. If it is agreed to offer a price protection on the shares purchased with the first transaction, then it is the *company* that must do so and not the ESOP. All of this is avoided when the entire company is sold in the first transaction.





NEWS AND RETIREMENT TIDBITS

- 1) Under the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), signed into law in December, the age 70 ½ Required Minimum Distribution (RMD) normally made from non-Roth IRAs and 401(k) plans is being waived, but only for the year 2009.
- 2) WRERA clarifies the overall deduction limit when an employer sponsors both defined benefit and defined contribution plans, covering at least some of the same employees. Generally, the deduction limit has been the greater of 25% of participant payroll or the minimum required funding level for the pension plan. Under the new rules, if the company contribution to the defined contribution plan does not exceed 6% of participant payroll, then the combined plan deduction limit does not apply. If the company contribution to the defined contribution plan does exceed 6% of participant payroll, then only the excess over 6% is counted in calculating the combined plan deduction limit.
- 3) For plan years beginning after 2009, the Form 5500 must be filed electronically. This is a one-year delay from the original deadline. The Internal Revenue Service and Department of Labor are already accepting electronic filings on a trial basis.
- 4) For an interesting and thought-provoking testimony given to Congress (early 2007) about how 401(k) plans are poorly invested, see the testimony of Matthew A. Hutcheson, professional fiduciary, at http://www.401khelpcenter.com/pdf/401k_fees_hutcheson_testimony.pdf.
- 5) For a very good analysis of all the basics of Roth 401(k) rules, pros, and cons (12 pages altogether) see http://money.cnn.com/retirement/guide/401k_Roth401kplans.money.com/index.htm?postversion=2008091015.
- 6) For good commentary on the economy's impact on ESOPs, pressures to change ESOPs due to market volatility, and the political prospects for ESOPs, see the 12/1/08 NCEO Update at <http://www.nceo.org/columns/cr265.html>.
- 7) Five of the fifteen winners of Wall Street Journal/Winning Workplace Top Small Workplaces have ESOPs. (Source: National Center for Employee Ownership, 10/15/08)
- 8) The Curriculum Library on Employee Ownership (CLEO), established late in 2008, is a collaborative collection of free materials related to university studies of employee ownership. The collection can be found at <http://www.caseplace.org/s.asp?a=3299&o=1>.
- 9) According to a recent survey by the Profit Sharing/401(k) Council of America (PSCA), 98% of defined contribution plans allow employee deferrals, 78% offer an employer match, and 55% of the companies make non-matching contributions. (Source: <http://www.pzca.org/Portals/0/pdf/research/08%20Eligibility%20All.pdf>)
- 10) According to a survey by Sun Life Financial “Only 48 percent of American workers plan to retire at age 67, with others planning to work longer ...” (Source: <http://www.workforce.com/section/00/article/25/81/05.php>.)

NEWS AND RETIREMENT TIDBITS

(Continued)

- 11) According to a study by Ernst & Young, LLP, “Middle-income Americans now retiring will have to reduce their standard of living by an average of 24% to avoid outliving their financial assets, a new study finds. Even those still seven years out from retirement, less prepared, could be looking at a 37% reduction in their living standard.”
(Source: http://www.plansponsor.com/magazine_type3/?RECORD_ID=42848.)
- 12) “A one percentage point increase in the MSA (Metropolitan Statistical Area) unemployment rate raises the likelihood of voluntary exit to a new job by 8.5%, reduces the likelihood of voluntary exit to retirement by 1.9%, and raises the likelihood of involuntary exit to retirement by 5.7%.” (Source: A paper from the Center for Retirement Research at Boston College ---
http://crr.bc.edu/images/stories/Working_Papers/2008-18.pdf)
- 13) For a great update to the Society of Actuaries chart on retirement risks, and how to manage them, see <http://www.soa.org/files/pdf/post-retirement-charts.pdf>.





RMS Team Spotlight



Account Executive and owner Elizabeth Rankin Potts has been with RMS for 11 years. She is a graduate of the University of Louisville, a licensed CPA, and has over 15 years experience with qualified retirement plans. Elizabeth says some of her favorite things about working at RMS are “the opportunity for personal growth, and the team environment which allows me to serve as a mentor to my fellow team members”. During her free time Elizabeth enjoys spending time with Sadie Girl (her 3 year old Bichon Havanese), playing piano and watching classic movies on AMC.

Margaret Weeks joined RMS as a Plan Specialist in November of 2002. Prior to joining RMS she worked in the benefits department of Akzo Nobel. Margaret is a native of Michigan but spent 3 years living abroad in Germany before settling in Kentucky. In her spare time she enjoys attending football games, going to the movies or relaxing with a good book.

The newest member of the RMS team is Maria Penner, who joined the firm as a Plan Specialist on November 17, 2008. Prior to joining RMS she worked in the accounting department for the law firm of Greene & Cooper. Maria is a native of New Albany and is an active member of the local PTA. During her time off she enjoys painting, hiking and spending quality time with her three children.

If you currently receive our Newsletter by regular mail, but would prefer to receive it by email, please contact cherbig@consultRMS.com or (502) 429-0767.

2009 EMPLOYEE BENEFIT INDEXED LIMITATIONS

	<u>FOR PLAN YEARS BEGINNING IN</u>					<u>Code Section</u>	Unrounded
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>		
1) 401(k) Elective Deferrals (calendar year limit)	16,500	15,500	15,500	15,000	14,000	402(g)(1)	16,786
2) 403(b) Elective Deferrals (calendar year limit)	16,500	15,500	15,500	15,000	14,000	403(b)	16,786
3) 401(k) Catch Up Contributions (calendar year limit)	5,500	5,000	5,000	5,000	4,000	414(v)(2)(B)(i)	5,594
4) Compensation Cap	245,000	230,000	225,000	220,000	210,000	401(a)(17)	247,782
5) Defined Contribution Plans – Contribution	**49,000	46,000	45,000	44,000	42,000	415(c)(1)(A)	49,557
6) Highly Compensated Employee Definition Employees owning over 5% or having Prior year Compensation exceeding	105,000	100,000	100,000	95,000	90,000	414(g)	111,955
7) Key Employee Definition Officer making over More than 1% owner, making over More than 5% owner, regardless of pay level	160,000 150,000	150,000 150,000	145,000 150,000	140,000 150,000	135,000 150,000	416(i)	161,059
8) Social Security Taxable Wage Base	106,800	102,000	97,500	94,200	90,000		
9) FICA (Employee) Tax Rate:							
Social Security (OASDI)	6.20%	6.20%	6.20%	6.20%	6.20%		
Medicare (HI)	1.45%	1.45%	1.45%	1.45%	1.45%		
Total	7.65%	7.65%	7.65%	7.65%	7.65%		
10) SECA (Self-employed) Tax rate, total	15.30%	15.30%	15.30%	15.30%	15.30%		
11) SIMPLE Deferrals	11,500	10,500	10,500	10,000	10,000	408(p)(2)(A)	
12) SIMPLE Catch-up Limit	2,500	2,500	2,500	2,500	2,000	414(v)(2)(B)(ii)	2,797
13) SEP Coverage	550	500	500	450	450	408(k)(2)(C)	557
14) IRA Maximum Deductible Amount	5,000	5,000	4,000	4,000	4,000	219(b)(1)(A)	5,000
15) IRA Catch-up Limit	1,000	1,000	1,000	1,000	500	219(b)(1)(B)	1,000
16) Social Security Exempt Amounts - ages							
Under 65	14,160	13,560	12,960	12,480	12,000		
65-69	N/A	N/A	N/A	N/A	N/A		
17) Eligible 457(b) Plan Deferral Limit (calendar year limit)	16,500	15,500	15,500	15,000	14,000	457(b)(2)	16,786
18) Maximum ESOP Balance for 5-year installments Amount for Lengthening of 5-year ESOP distribution	985,000 195,000	935,000 185,000	915,000 180,000	885,000 175,000	850,000 170,000	409(o)(1)(C)	991,131 198,226
19) Defined Benefit Plans - Annual Benefit	195,000	185,000	180,000	175,000	170,000	415(b)(1)(A)	198,226

**The limitation is effective for plan yrs ending in the designated calendar yr.



NEW YEAR'S RESOLUTIONS

Updated January, 2009

- A) **Save more** --- No matter how small an increase it may be. Few people are saving enough. Unless you have put a pencil to it and determined that you are saving enough (or you've won some giant lottery jackpot), then you're probably not saving enough. If you can save for retirement through payroll withholding, then resolve to increase your savings the next time your employer's retirement plan allows it. Also consider an increase when you get a raise. Elect in terms of percentages, instead of dollars, so that when you get a raise, your contribution automatically goes up.
- B) **Rebalance** --- If you have decided, based on your age, risk tolerance, etc., what asset allocation is appropriate for you, then you need to rebalance periodically because different funds will grow at different rates, getting your assets out of balance. (The year 2008 was an excellent example of how the stock / bond asset allocation can get far out of line with your original allocation.) If your retirement plan offers investment options, then resolve to get your asset allocation back in line with your goals. Some plans allow you to rebalance automatically. If you have to do it manually, many advisors recommend doing so one or two times per year.
- C) **Get educated** --- Resolve to study more about at least one important retirement topic this year. Some ideas and good sites on the Internet:
- 1) Investment education: <http://money.cnn.com/magazines/moneymag/money101/>
 - 2) Early retirement: <http://www.retireearlyhomepage.com/>
 - 3) Long term care: <http://www.ltcinsurance.com>
 - 4) Reverse mortgages: <http://www.aarp.org/revmort/>
 - 5) Social Security topics: http://retireplan.about.com/od/socialsecurity/Social_Security.htm
 - 6) Social Security benefit estimator: <http://www.socialsecurity.gov/estimator>
 - 7) Basics of mutual funds: <http://www.sec.gov/investor/pubs/inwsmf.htm>
- D) **Plan** --- Resolve to use tools to help you figure out if you are saving enough to meet your goals. If your retirement plan offers such tools, take advantage of them. Some other web sites that can help:
- 1) How much to save: <http://www.bloomberg.com/invest/calculators/retire.html>
 - 2) Asset allocation: <http://www.smartmoney.com/investing/basics/the-smartmoney-one-asset-allocation-system-17605/>

