CHOOSING THE BEST

RETIREMENT PLAN

FOR YOUR BUSINESS

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A well-chosen retirement plan can help set your company apart in attracting and retaining high-quality people, and it offers valuable tax incentives for your employees and your company.

Choosing the best retirement plan for you and your employees requires careful analysis. The most critical part of the process is finding a provider that offers retirement plan expertise in administration, service and quality investments. You need to evaluate providers with care and then establish a partnership with a firm that will stand by you from day one — and in the years to come.

At our firm, we take pride in being among the best in the industry in providing guidance for retirement plans for companies of all sizes. Our highly trained retirement plan specialists can help you choose the right plan.

With some exceptions, your company and/or your employees may invest in common stocks, government and corporate bonds, mutual funds, limited partnerships, annuities and stock options. We can also help you install your plan, market and explain it to your employees, and provide ongoing guidance through the maze of laws and regulations governing retirement plans. You'll have the comfort of knowing that you can save money by using our prototype plans, if you'd like. Our goal is to help you achieve solid investment performance. Your Investment Professional will present you with a menu of investment choices to accommodate your particular needs.

Once you've chosen a plan, our firm can handle all the details of plan installation. We can provide all the documents, administrative guidelines and forms for maintenance of your plan according to Internal Revenue Service and Department of Labor guidelines.

Our IRS-approved prototype plans can help you save on legal fees, while offering a variety of options for eligibility, vesting and retirement provisions. Of course, all documents should be reviewed by your attorney. Over time, we will maintain your documents to comply with legislative changes as they occur.

Our firm does not provide Form 1099R for tax reporting on self-directed accounts in retirement plans. Your Investment Professional can serve as a facilitator to make sure your company's unique needs and concerns are carefully considered in the construction of your plan. Current law provides the incentive to set up a qualified plan through the following unique tax incentives for these programs:

- An income-tax deduction is permitted for amounts contributed to the plan by the employer
- Earnings and gains grow tax-deferred and are not generally subject to tax until paid out at retirement
- Distributions to participants may qualify for additional income-tax advantages, including continued tax deferment as a rollover to an Individual Retirement Account or reduced income tax in case of lump-sum distributions through special income averaging

IF YOU ALREADY HAVE A RETIREMENT PLAN, WHY CONSIDER US?

If your company already has a retirement plan, you may be able to gain additional benefits by transferring it to us:

- Low costs. Using our prototype, while not required, could help minimize document fees.
- Investment flexibility. Choose from a wide range of investments and combinations of investments.
- Investment guidance. Your Investment Professional will help you develop an investment strategy to suit your plan's goals.

An understanding of the principal types of qualified plans is essential to making the best choice. Different plans have different features and involve varying administration and costs. There are two basic types of plans — defined-contribution plans and defined-benefit plans.

DEFINED-CONTRIBUTION PLANS

In a defined-contribution plan, an amount is contributed on behalf of each employee participant, usually as a percentage of compensation. The retirement benefit is not set in advance, but will depend on total contributions made, length of service and total investment return.

Profit-Sharing Plans

The profit-sharing plan is employer-funded and offers the greatest flexibility to the employer in terms of timing and amount of contribution. Each year stands on its own.

Under the original rules for profit-sharing plans, employer contributions could be made only from business profits — hence the name. Current law eliminates this restriction, so the amount to be contributed each year is at the discretion of the employer.

Profit-Sharing Plan Features

- The employer's maximum annual deductible contribution is 25 percent of all participants' gross income, not to exceed $46,000[1] for any participant
- Contributions are flexible and at the employer's discretion
- Contributions are allocated by formula to participants
- Employer contributions can be based on profits
- Retirement benefit is based on contributions, earnings and length of service

[1] For 2008, subject to annual cost-of-living adjustments.

MONEY-PURCHASE PENSION PLANS

In a money-purchase pension plan, the employer's annual contribution is mandatory and is based on a fixed percentage of compensation.

Money-Purchase Plan Features

- Current regulations permit annual contributions of up to 25 percent of all participants' gross income, not to exceed $46,000 for any participant[1]
- Contributions are based on a fixed percentage of compensation
- Employer contributions must be made every year

CASH OR DEFERRED ARRANGEMENTS — CODA OR 401(K)

The 401(k) plan is a type of profit-sharing plan that allows an employee to make his or her own contributions. Each eligible employee is given the option to have part of his or her compensation contributed to the plan, instead of being paid in cash (hence the phrase "cash or deferred"). If the deferral is elected, federal income-tax withholding is determined using the net amount of compensation paid to the employee, after subtracting the amount deferred. In other words, the deferral causes a reduction in withholding tax.

The 401(k) plan is very popular because it allows your company to shift some of the financial burden to the employees. The plan may allow employee deferrals only, but most provide an employer's contribution either in the form of a "match" or as a regular discretionary profit-sharing contribution at the plan's year-end valuation.

In a 401(k) plan, the combined employer and employee contribution is limited to a maximum of $46,000 per participant, with a maximum employee deferral amount of $15,500[1].

401(k) plans must meet additional requirements designed to prevent large deferrals (and employer matching) for highly compensated employees, when the rank and file elect not to participate. There are special non-discrimination tests required in these programs for testing the deferrals, as well as other non-discrimination rules applicable to all qualified plans.

401(k) plans are especially attractive today. The contribution limits for 401(k) plans far exceed the IRA limits, because of the current IRA deductibility restrictions.

[1] For 2008, subject to annual cost-of-living adjustments.

401(k) Plan Features

- Plan may be funded by company contributions, employee contributions only, or a combination of both
- Employees contribute on a pre-tax basis
- Employee and employer contributions grow tax-deferred
- Employer contributions to the plan may not exceed 25 percent of the payroll of eligible employees
- Employers receive a separate deduction for the total of all employees' contributions
- Annual additions to an individual's account may not exceed 100 percent of pay or $46,000, whichever is less[1]
- Special non-discrimination testing is required

CATCH-UP PROVISION

401(k) plan participants who are age 50 or older at any time during the plan year (not necessarily the calendar year) are allowed to defer an extra $5,000 in 2008. This will allow a participant to exceed the maximum annual addition limit, which is $46,000[1].

DEFINED-BENEFIT PLANS

As the name implies, with a defined-benefit plan, a specific benefit is promised to participants. This is typically provided as a monthly sum and is what most people think of as a pension.

The amount of the annual contribution is determined each year based on actuarial principles. The formula computes the amount needed to accumulate a fund sufficient to pay the promised future benefits when they become payable. The annual contribution amount is greatly influenced by changes in the plan. These include employee ages, compensation, terminations, new hires, mortality and the investment results achieved.

DEFINED-BENEFIT PENSION PLANS

With a defined-benefit pension plan, there is actually no limit on the amount that can be contributed. However, there is a maximum on the benefit that the plan can provide and on the amount of compensation that may be taken into consideration in determining the benefit. The contribution amount must be determined by the actuary and cannot be based on profitability.

Defined-benefit plans tend to favor older, highly compensated employees. They are especially well suited to closely held corporations in which the owners are nearing retirement. Self-employed individuals may also find these plans very advantageous.

[1] For 2008, subject to annual cost-of-living adjustments.

Defined-Benefit Pension Plan Features

- Benefit amount is guaranteed and cannot exceed the lesser of 100 percent of pay or $185,000[1] in 2008
- Benefit amount may be a fixed amount or based on compensation and/or years of service
- Contributions are determined by an actuary and are mandatory

TARGET-BENEFIT PLANS

A target-benefit plan is actually a hybrid of the defined-benefit plan and the money-purchase pension plan.

A formula for the amount to be contributed to a target-benefit plan for its first year is determined in the same manner as with a defined-benefit plan, with the same limits for retirement benefits and covered compensation. For subsequent years, however, the contribution formula is "frozen" (i.e., no adjustments are made to the actuarial assumptions) and the contribution amounts are the same, hence predictable.

Annual contributions are mandatory. Each participant's benefit at retirement consists of whatever the balance accumulated will provide. The amount a participant actually receives is subject to far more fluctuation and is not guaranteed as in the defined-benefit plan.

TARGET-BENEFIT PLAN FEATURES

- Maximizes benefits for older, highly paid employees
- Benefit is not guaranteed
- Contributions are initially determined by the actuary
- Contributions are mandatory
- Maximum annual addition to a participant is the lesser of 100 percent of compensation or $46,000[1]

OTHER PLAN TYPES

Another type of retirement plan uses Individual Retirement Accounts (IRAs) when funding retirement benefits. These plans are ideal for small or new businesses.

SIMPLIFIED EMPLOYEE PENSION PLANS (SEP-IRA)

The Simplified Employee Pension (SEP-IRA) permits employers to make the same tax-deductible contributions as qualified plans allow, without the burden of reporting, complicated administration and costs. You simply make the contributions directly into the IRAs of the plan participants. The contribution limits are 25 percent of total compensation up to a maximum of $46,000[1] per participant. A major difference is that all contributions belong to the employee immediately upon deposit into the employee's IRA. Also, you must include all employees earning more than $500 in determining eligibility.

[1] For 2008, subject to annual cost-of-living adjustments.

SEP-IRA Plan Features

- All company contributions are immediately 100 percent vested and available to participants
- Part-time employees may not be excluded
- Company contributions are tax-deductible for the employer, and neither contributions nor earnings are taxed to participants until distributed
- Employer contributions are made into IRA accounts and are not placed in a trust account
- Little or no government reporting is required
- SEPs may be established and funded up until tax-filing time, including extensions
- SEPs may be established for one year only, or can be contributed to year after year

SIMPLE IRAS

A SIMPLE IRA plan is similar to a traditional 401(k) plan. The SIMPLE plan allows employees to contribute a portion of their income to the plan on a pre-tax basis. Technically, employees elect to reduce their pay by the amount they wish to save, and the company deposits those funds into the plan. In addition, there is a required contribution that a company makes on behalf of the employees, which satisfies certain rules providing exemption from many of the complex rules that apply to the traditional 401(k) plan.

Any employer who employs 100 or fewer employees who earned at least $5,000 in compensation during any two preceding years and who does not already maintain a qualified plan can establish a SIMPLE plan.

A SIMPLE IRA plan can be established in conjunction with an Individual Retirement Account (IRA) or annuity for each employee. There is some flexibility for the employer's mandatory contribution. The employer sponsoring a SIMPLE plan must make a contribution that matches the first 3 percent of pay contributed by each participating employee. The employer may reduce that percentage to no less than 1 percent of compensation in any two of five consecutive years. As an alternative, the company could make a contribution of 2 percent of pay for each eligible employee who has earned at least $5,000 for the year, even to those who have chosen not to make their own contributions to the plan.

An employee elects to contribute a percentage or a dollar amount of his or her pre-tax compensation to the SIMPLE plan. The amount cannot exceed the equivalent of $10,500[1].

[1] For 2008, subject to annual cost-of-living adjustments.

SIMPLE IRA participants who are 50 or older also have a catch-up provision of $2500 for 2008.

SIMPLE IRA Plan Features

- All company contributions are immediately 100 percent vested and available to participants
- Part-time employees may not be excluded
- Company contributions are tax-deductible for the employer, and neither contributions nor earnings are taxed to participants until distributed
- Employer contributions are made into IRA accounts and are not placed in a trust account
- Little or no government reporting is required
- SIMPLE IRAs must be established for existing companies by October 1 to be effective for that calendar year

COMMUNICATION TO YOUR EMPLOYEES

One of the most vital needs of your plan is communication to your employees. In some plan designs, such as a 401(k) plan, the participation of your employees will depend on this communication process. Your employees will appreciate your plan when it is presented with care and interest. When properly communicated, the plan can help attract, retain and motivate your employees. We can help by producing communications materials that clearly detail your plan, payroll stuffers for potentially successful enrollments, and an educational video to help your employees understand the great opportunity you're offering them[2]. All of this can enhance morale and productivity.

VALUE-ADDED SERVICES

For decades, our firm has been a leader in helping individuals and growing businesses pursue their financial goals. We're eager to help you prosper with a variety of valuable personal services:

- Personal retirement planning
- Pre- and post-retirement counseling
- Personal investment planning
- Estate planning
- Education planning and funding

[2] Provided by an outside vendor.
Our firm does not provide tax or legal advice.

RETIREMENT PLANS AT A GLANCE

	SEP	PROFIT-SHARING PLAN
PLAN YEAR	Calendar or fiscal year	Calendar or fiscal year
PLAN AND ACCOUNT TYPE	Employer contributions into individual IRA accounts	Employer contributions into qualified plan and trust with employer or employee-directed accounts
ELIGIBLE EMPLOYERS	All employers	All employers
ELIGIBLE EMPLOYEES (MAXIMUM REQUIREMENTS)	Age 21, earn $500,* employed by employer 3 of past 5 years.	Age 21, 2 years of service if 100% vested (1 year if vesting schedule is elected)
MAXIMUM CONTRIBUTIONS BY EMPLOYER (DEDUCTIBLE AMOUNT)	Optional, up to 100% of all eligible employees must participate up to 25% of employee's pay, but no more than $46,000* per employee	Optional. Up to 25% of total eligible payroll, but no more than $46,000* per employee
EMPLOYEE SALARY DEFERRAL	None	None
DEADLINE FOR ESTABLISHING PLAN	Employer's tax filing deadline, including extensions	Plan year end (calendar or fiscal)
VESTING SCHEDULES	100% immediate	Various options. Maximum 6-year graded or 3-year cliff
ERISA COVERAGE	Varies by state	Yes
REPORTING	N/A	Yes. FORM 5500 immediately. Exception, owner-only business: not until assets reach $250,000
CONTRIBUTION RESTRICTIONS	May be aggregated with other plans	May be aggregated with other plans
NON-DISCRIMINATION TESTING	Not required	Required
TOP-HEAVY TESTING	Required	Required
LOANS	Not permitted	Permitted, if plan allows
HARDSHIP WITHDRAWALS	See IRA rules	Permitted, if plan allows
LIFE INSURANCE INVESTMENT	Not permitted	Permitted, if plan allows
TAX TREATMENT OF DISTRIBUTIONS	10% early withdrawal penalty, using IRA rules and subject to ordinary income tax	10% penalty, if taken before age 591/2 using Qualified Plan rules and subject to ordinary income tax
ROLLOVER CONTRIBUTIONS ACCEPTED	Qualified plans, IRAs and other SEP/SARSEPs and SIMPLE IRAs, (after 2 years from the first deposit)	Permitted, if plan allows
ELIGIBLE ROLLOVER DISTRIBUTIONS	Allowable 60-day rollover distribution, one per 12-month period	Must have a triggering event for rollover rules to apply

* As of 2007, indexed annually.

MONEY-PURCHASE PLAN	SAFE HARBOR 401(K)	SIMPLE IRA
Calendar or fiscal year	Calendar or fiscal year	Calendar year
Employer contributions into qualified plan and trust with employer or employee-directed accounts	Employee & employer contributions into qualified trust with employer or employee-directed accounts	Employee & employer contributions into individual IRA accounts
All employers	All employers except government entities	Employers w/100 or fewer employees earning $5,000 in preceeding year
Age 21, 2 years of service if 100% vested (1 year if vesting schedule is elected)	Age 21, 1 year of service at 1,000 hours	Earned $5,000 for 2 years, expected to earn $5,000 in current year (employer may reduce requirements)
Required, up to 25% of employee's pay, but no more than $46,000* per employee	Required, dollar-for-dollar match on employee deferrals up to 3% of pay (up to $6,800*) + 50% match between 3% and 5% of compensation (up to $2,250*), or non-elective contribution of 3% of pay to all eligible employees (up to $6,800*). Optional, discretionary match or profit sharing contribution, 25% of total eligible payroll, less safe harbor employer contribution total	Required, dollar-for-dollar match up to 3% of pay ($10,500*) OR non-elective contribution of 2% of pay to all eligible employees ($4,500*). (Note: 3% match may be reduced to 1% in 2 of every 5 consecutive years)
None	Up to 100% of total eligible payroll (up to $15,500*). Catch-up for age 50 or over: $5,000*	Up to 100% of total eligible payroll (up to $10,500*). Catch-up for age 50 or over: $2,500
Plan year end (calendar or fiscal)	Must have one quarter of plan year, therefore 90 days prior to plan year end. Notice to participants 30-90 days prior to effective date of plan	No later than Oct. 1 of year established, with 60-day notice to employees for plan start date no later than Dec. 1.
Various options. Maximum 6-year graded or 3-year cliff	Required employer safe harbor contributions: 100% immediate. Other employer contributions: Various maximum 6-year graded or 3-year cliff	100% immediate
Yes	Yes	Varies by state
Yes. FORM 5500 immediately. Exception, owner only business: not until assets reach $250,000	Yes. FORM 5500 immediately. Exception, owner only business: not until assets reach $250,000	N/A
May be aggregated with other plans	May be aggregated with other plans	No other plan in a calendar year that this or other plan has been funded
Required	Not required	Not required
Required	Not required	Not required
Permitted, if plan allows	Permitted, if plan allows	Not permitted
Not permitted	Permitted, if plan allows	See IRA rules
Permitted, if plan allows	Permitted, if plan allows	Not permitted
10% penalty, if taken before age 591/2 using Qualified Plan rules and subject to ordinary income tax	10% penalty, if taken before age 591/2 using Qualified Plan rules and subject to ordinary income tax	10% early withdrawal penalty (25% in first two years) using IRA rules and subject to ordinary income tax. After 2-year anniversary of first deposit, direct rollover rules apply
Permitted, if plan allows	Permitted, if plan allows	Only other SIMPLE IRA. Direct Rollover rules.
Must have a triggering event for rollover rules to apply	Must have a triggering event for rollover rules to apply	Apply after 2 years from first deposit

TRADITIONAL 401(K)	ONE-PERSON 401(K)	SARSEP
Calendar or fiscal year	Calendar or fiscal year	Calendar or fiscal year
Employee & employer contributions into qualified plan and trust with employer or employee-directed accounts	Employee & employer contributions into qualified plan and trust with employer or employee-directed accounts	Employer contributions into individual IRA accounts
All employers, except government entities	All employers, except government entities. Primarily for businesses with no employees, other than the owner and spouse or partnerships	All employers, generally small-business owners with income under $50,000
Age 21, 1 year of service (can require 2 years for employer contribution if 100% vested)	Age 21, 1 year of service (can require 2 years for employer contribution if 100% vested)	Age 21, earning at least $500; at least 50% of all eligible employees must participate in the salary-reduction provision of the plan.
Optional, match or discretionary contribution, up to 25% of total eligible payroll. No more than the lesser of 100% of eligible compensation or $46,000* per employee	Optional discretionary contribution up to 25% of eligible payroll. No more than the lesser of 100% of eligible compensation or $46,000* per employee	Optional, match or discretionary contribution, up to 25% of total eligible payroll. No more than the lesser of 25% of $230,000* or $46,000* per employee
Up to 100% of eligible payroll (up to $15,500*). Catch-up for age 50 or over: $5,000*	Up to 100% of total eligible payroll (up to $15,500*) Catch-up for age 50 or over: $5,000*	Up to 100% of total eligible payroll (up to $15,500*) Catch-up for age 50 or over: $5,000*
Plan year end (calendar or fiscal)	End of employer's fiscal year, but prior to any employee deferrals	Cannot be established as new plan after December 31, 1996
Various options. Maximum on employer contributions, 6-year graded or 3-year cliff	Optional 100% immediate, 3-year cliff or 6-year graded	100% immediate
Yes	Yes, once plan reaches asset value of $100,000	Varies by state
Yes. FORM 5500 immediately. Exception, owner only business; not until assets reach $250,000	Assets over $250,000. Form 5500	N/A
May be aggregated with other plans	May be aggregated with other plans	May be aggregated with other plans
Required	Not required	Required
Required	Not required	Required
Permitted, if plan allows	Permitted, if plan allows	Not permitted
Permitted, if plan allows	Permitted, if plan allows	See IRA rules
Permitted, if plan allows	Permitted, if plan allows	Not permitted
10% penalty, if taken before age 591/2 using Qualified Plan rules, and subject to ordinary income tax	10% penalty, if taken before age 591/2 using Qualified Plan rules, and subject to ordinary income tax	10% penalty, if taken before age 591/2 and subject to ordinary income tax. 20% withdrawal, not applicable if direct rollover rules apply.
Permitted, if plan allows	Permitted, if plan allows	Qualified Plans, IRAs & other SEP/SARSEPs and SIMPLE IRAs, (after 2 years from the first deposit)
Must have a triggering event for rollover rules to apply	Must have a triggering event for rollover rules to apply	Allowable 60-day rollover distribution, one per 12-month period

RETIREMENT PLAN REFERENCE GUIDE

We hope this brochure has answered many of your questions about retirement plans for your company. If we can be of further assistance, please think of us as your resource. Call our office for more information, assistance, or guidance. We're here for you.

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