

FREQUENTLY ASKED QUESTIONS

Pension Clients' Ready Reference for 2008 Plan Years

Here are the answers to the questions we answer most frequently. If the answer to your question is not here, call Jay or Kim at 847-521-4900. This version is written for plan years beginning after December 31, 2007.

1. When is my contribution due?
 1. Before your business tax return is filed. Generally this is March 15th for corporate calendar year taxpayers. A 6-month extension (to September 15th) is available. If you are a sole proprietorship or a partnership, the deadline is April 15th (with extension to October 15th).
2. When is my 5500 due?
 2. The last day of the seventh month after the plan year ends. July 31st for calendar year taxpayers. An extension can be obtained by filing Form 5558. If your return is not filed by July 31, we will automatically request an extension for your return to be filed on or before October 15.
3. What's the maximum I can put in to my profit sharing plan for myself?
 3. The lesser of (1) 100% of your compensation or (2) \$46,000, subject to corporate deduction limit of 25% of covered payroll.
4. What's the maximum my company can contribute to our profit sharing plan?
 4. 25% of compensation. *Note, however, that employee salary deferrals are no longer included in the 25% limit.*
5. What's the maximum *salary deferral* amount that a participant can contribute to his or her 401(k) plan?
 5. The lesser of (1) \$15,500 or (2) 100% of your W-2 compensation or earned income.
6. How can I contribute for the "catch up" election amount and how old do I have to be in order to use it?
 6. The maximum catch up contribution is \$5,000. You have to have been born in 1957 or before.

7. What is the maximum considered compensation for retirement plans this year? 7. \$230,000.
8. An employee is considered a “highly compensated” employee at what compensation level? 8. \$105,000. Note, however, this is not cast in stone. There are a number of different rules that need to be considered.
9. At what point do I have enough compensation where I’ve paid in enough social security (FICA) for the year? 9. \$102,000. Note, however, the 1.45% Medicare continues on all compensation.
10. Do I have to distribute a Summary Plan Description to all plan participants? 10. Yes, but not every year. Each employee should receive an SPD when he or she becomes a participant in the plan. Each participant should receive an SPD when the plan is restated or the SPD is rewritten. Each participant should receive a Summary of Material Modifications (SMM) when changes are made to the plan. This is a requirement of the Department of Labor.
11. When do I have to remit my 401(k) deferrals to my investment vendor? 11. The Department of Labor’s position is “as soon as practicable”. They have interpreted that to mean, “immediately”. Many have understood this to mean the 15th day of the month following the payroll. However, the DOL is now prosecuting cases where deferrals are not deposited to plan accounts the next day.
- There is a new “safe harbor” in proposed regulations issued by Department of Labor which states that salary deferrals must be remitted within seven (7) days of the date that they are withheld.*
- Our recommendation and our practice is that salary deferrals be remitted by your payroll provided to your investment vendor the same day as your payroll without exception.**
12. What’s the maximum benefit I can fund in my defined benefit plan? 12. The maximum benefit is \$15,416.66 per month or \$185,000 per year. In other words,

the maximum contribution is an amount sufficient to fund a monthly payment of \$15,416.66 per month beginning at age 65 for the rest of the participant's life. Using 5% interest and recent mortality rates, this requires a lump sum of in excess of approximately \$2,000,000 at age 65.

13. Who should be the beneficiary of my retirement plan benefit?

13. If you have not completed a beneficiary designation, you should do so immediately.

A general rule is that your beneficiary designation should be coordinated with your estate plan; that is, your will and trust.

If you do not have an estate plan or if you need assistance in thinking through how your beneficiary should be set up in the most tax efficient manner, please call Jay Kaufman.