

FOLEY BENEFITS GROUP, LLC

Tax Information 2008-2009

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A WORD FROM DAVID FOLEY



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WHAT'S NEW

The government has released plan limits for 2009. They are as follows:

- Retirement Plan Limits Set for 2009:**

	<u>2009</u>	<u>2008</u>
Salary Deferrals (401k) Maximum	16,500	15,500
Catch-up Deferrals (Over Age 50)	5,500	5,000
Maximum Defined Contribution Deposit (All Sources)	49,000	46,000
Limit on Annual Compensation For Plan Calculations	245,000	230,000
Highly Compensated Employee	110,000	105,000

- New Document Required:**

All documents must be restated to be in compliance with the changes in the tax law for the last 7 years. We will provide a pre-approved prototype document for your completion. A one time nominal fee is charged for this service.

- New Trends in 401(k) to Consider:**

Loans – Most plans now offer employee loans. Loans can be made only against the employee salary deferrals if you wish. A separate after tax payroll deduction must be made available to repay the loan. We give you the loan repayment schedule and payroll deduction amount.

Automatic Enrollment – The employee would automatically be enrolled at a stated payroll deduction amount after reaching the eligibility date. The usual payroll deduction amount is 4%. This gets employees into the plan if they are unable to review the enrollment materials. This improves plan participation by helping employees "get started".

- Plan Limits for 2009**

- New Document Required**

- New Trends to Consider**

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**We are here to
serve you.....**

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Safe Harbor 401(k) – Our practice continues to see more Safe Harbor 401(k) plans. Safe Harbor 401(k) allows all employees to put in the maximum deferral amount regardless if they are owners and/or highly compensated employees. There is no discrimination test nor top heavy test required for Safe Harbor 401(k)'s.

There are 3 forms of Safe Harbor 401(k) that require company deposits. These are:

1. Non-Elective Safe Harbor – This requires the employer to put 3% of compensation into all eligible employees' accounts whether they put any of their own money in or not.
2. Matching Safe Harbor – This requires the employer to put in a \$1.00/\$1.00 match to 4% of employee deferrals.
3. Combination Auto Enrollment and Matching Safe Harbor – This requires an employer match of 3 ½% of compensation.

If the owner-employer and highly compensated employees wish to put the maximum deposit into their own accounts, consider changing to Safe Harbor 401(k).

Roth 401(k) – Roth 401(k) allows employees the option of putting their salary deferrals into the plan after tax with the benefit that the deferred amount plus all gains come out tax free. This has never gained the popularity that was expected. The employer would need to have a separate non-deductible 401(k) salary deduction slot in addition to the pre-tax standard 401(k) deduction.

-----Summary-----

If you want to add these to your plan, the time is NOW. We can put these changes into your new document.

If you have questions on this news letter, please call me at 1-800-875-0093 or email me at dfoley@finsvcs.com.

Thanks! Have a great 2009!

Dave Foley