

401(k) Plans Updates and Highlights:

Increased Limits on 401(k) Deferrals and additional 401(k) deferrals (for plan participant's age 50 or older):

Increased deferrals	Catch-up deferrals	Total deferrals
2003 = \$12,000	2003 = \$ 2,000	2003 = \$14,000
2004 = \$13,000	2004 = \$ 3,000	2004 = \$16,000
2005 = \$14,000	2005 = \$ 4,000	2005 = \$18,000
2006 = \$15,000	2006 = \$ 5,000	2006 = \$20,000
2007 = \$15,500	2007 = \$ 5,000	2007 = \$20,500

Compensation considered for contribution and deferral calculations was increased from \$200,000 to \$225,000 for 2007. This allows Highly Compensated Employees (with income in excess of \$225,000) to defer more into their 401(k) plans without increasing their deferral percentages.

“Pension Portability” now allows for all IRA (except ROTH IRA) to be rolled-over into 401(k) and other retirement plans. In addition, in certain circumstances, the requirement that rollovers must be completed within 60 days to avoid current taxation may be waived.

401(k) participants may now elect to defer up to 100% of their applicable W2 compensation net of their required FICA withholding. Certain HCEs (generally 5% owners, their family members and those earning in excess of \$90,000) are subject to non-discrimination testing (ADP) that may limit their deferral participation to (generally) the average deferral percentage for the non-highly compensated employees plus 2%; not to exceed 200% of non-highly compensated average deferral percentage.

401(k) and other retirement plans now enjoy an increased deduction limit of 25% of eligible compensation (total compensation of all employees eligible to participate in the plan irrespective of their actual participation). This represents a significant increase; deductions were formally limited to 15% of eligible compensation Minus 401(k) deferrals.

Total contributions for all Defined Contribution retirement plans has increased to \$45,000 including 401(k) deferrals but not including “catch-up” contributions (see above). This means that for 2007, a participant age 50 or older could receive a Profit Sharing contribution of \$29,500, a 401(k) deferral of \$15,500 and a catch-up contribution of \$5,000 for a total deductible contribution of \$50,000.

Loans are now allowed to the owners of all business entity types for all plans that allow for employee loans. Loans were previously restricted (not allowable) for owners of Sole Proprietorships, General Partners, Limited Liability Members and share-holders of Sub-S corporations (and owners of other business types except C-Corporations).