

Retirement Plan Types 2009

	Defined Benefit and Cash Balance Plans	Profit Sharing (Discretionary)	Money Purchase Pension	401(k)	SEP	Salary reduction SEP <small>Repealed unless established before 1/1/97</small>	403(b) PNTSA
Who can establish these plans?	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, Governmentals.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, Governmentals.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, Governmentals.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, Governmentals before 5/5/86 grandfathered.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, Governmentals.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships. Must have 25 or fewer eligible employees in the previous calendar year.	501(c)(3) Organizations, Public Educational Institutions.
How is the plan set up?	Adoption of a Plan Document and Trust Agreement (if trustee). May use prototype.	Adoption of a Plan Document and Trust Agreement (if trustee). May use prototype.	Adoption of a Plan Document and Trust Agreement (if trustee). May use prototype.	Adoption of a Plan Document and Trust Agreement (if trustee). May use prototype.	Adoption of IRS Form 5305-SEP or a prototype plan document.	Adoption of IRS Form 5305A-SEP or a prototype plan document.	Adoption of an individually designed plan.
When must the plan be established?	By end of first plan year (12/31 for calendar year plans).	By end of first plan year (12/31 for calendar year plans).	By end of first plan year (12/31 for calendar year plans).	By end of first plan year (12/31 for calendar year plans). No employee deferrals allowed until plan document is signed.	Tax filing due date (including extensions).	New plans cannot be established after 12/31/96.	By end of first plan year (12/31 for calendar year plans).
When must contributions be made?	By tax filing deadline plus extensions. 8½ months after plan year end if subject to minimum funding rules.	By tax filing deadline plus extensions.	By tax filing deadline plus extensions. 8½ months after plan year end if subject to minimum funding rules.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. Employer contributions must be made by tax filing deadline plus extensions.	By tax filing deadline plus extensions.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. 50% of eligible employees must actually defer. Employer contributions must be made by tax filing deadline plus extensions.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. Employer contributions must be made by the 15th day of the 6th calendar month following the close of the plan year.
How are contributions/benefits determined?	Benefits are determined by a written formula that takes age, years of service, comp., etc. into consideration. Contributions are based on actuarial calculations.	Contributions are determined annually by the employer. Usually allocated on pro rata compensation but can be integrated with Social Security. Age-based formulas also allowed.	Contributions are based on fixed percentage of employee's compensation. Can be integrated with Social Security.	Contributions are determined annually by the employer and employees. Special nondiscrimination tests apply.	Contributions are determined annually by the employer. Usually allocated on pro rata compensation. Social Security integration allowed if using a prototype plan document.	Contributions are determined annually by the employer and employees. Special nondiscrimination tests apply.	Contributions are determined annually by the employer and employees. Special nondiscrimination tests may apply.
What are the participant eligibility requirements?	General requirements are age 21 and one year of service at 1,000 hours a year.	General requirements are age 21 and one year of service at 1,000 hours a year.	General requirements are age 21 and one year of service at 1,000 hours a year.	General requirements are age 21 and one year of service at 1,000 hours a year.	Requirements are 3 years of service out of last 5 years, 21 years of age and earns at least \$550 per year (as indexed).	Requirements are 3 years of service out of last 5 years, 21 years of age and earns at least \$550 per year (as indexed).	General requirements are age 21 and one year of service at 1,000 hours a year for ERISA plans.
What is the limit on employee contributions to the plan?	Generally not allowed.	Generally not allowed.	Generally not allowed.	100% of compensation up to the applicable limit. Elective deferral limit increased to \$16,500 in 2009, then indexed in \$500 increments. The combined maximum employee limit is the lesser of 100% of compensation or \$49,000 and includes deferrals, employer contributions and forfeitures.	Employee contributions are not allowed. The maximum amount that can be allocated to an employee's account is the lesser of 25% of compensation or \$49,000.	25% of compensation up to the applicable limit. Elective deferral limit increased to \$16,500 in 2009, then indexed in \$500 increments. The combined maximum employee limit is the lesser of 25% of compensation or \$49,000 and includes elective deferrals and employer contributions.	100% of includible compensation up to the applicable limit. Elective deferral limit increased to \$16,500 in 2009, then indexed in \$500 increments. The combined maximum employee limit is the lesser of 100% of compensation or \$49,000 and includes deferrals, employer contributions and forfeitures.
What is the limit on employer contributions to the plan?	Annual contribution necessary to provide maximum annual benefit to an employee up to 100% of compensation to \$195,000 (as indexed). Maximum employer contribution can be up to the amount needed as determined by the minimum funding standard.	The maximum allocation amount to a participant's account is the lesser of 100% of compensation or \$49,000 (indexed; for 2009). Maximum employer limit is 25% of eligible participants' compensation for deductibility purposes.	The maximum allocation amount to an employee's account is the lesser of 100% of compensation or \$49,000 (indexed; for 2009). Maximum employer limit is 25% of eligible participants' compensation for deductibility purposes.	Maximum employer limit is 25% of eligible participants' compensation exclusive of employee elective deferrals for deductibility purposes.	Employer limit is up to 25% of eligible participants' compensation for deductibility purposes.	Employer limit is up to 25% of eligible participants' compensation for deductibility purposes. Employer limit includes elective deferrals and compensation is reduced by elective deferrals.	Maximum employer limit is the lesser of 100% of participants' compensation or \$49,000 and includes deferrals, employer contributions and forfeitures.
What is the limit on employee catch-up contributions to the plan?	Not allowed.	Not allowed, unless 401(k) elective deferral feature is added.	Not allowed.	Individuals age 50 or older can make additional contributions of up to \$5,500 in 2009, then indexed in \$500 increments.	Not allowed.	Individuals age 50 or older can make additional contributions equal to \$5,500 in 2009, then indexed in \$500 increments.	Individuals age 50 or older can make additional contributions of up to \$5,500 in 2009, then indexed in \$500 increments. Additionally, \$3,000 cap expansion is available for participants with 15 years of service with eligible employers and unused capacity.
Are annual contributions required?	Yes; as long as plan is not "overfunded" as determined by actuarial calculations.	No	Yes, if subject to minimum funding rules.	No	No	No	No
Plan advantage	Higher contribution for older participant. Maximum potential contributions and deductions.	Good for businesses with uncertain or cyclical profits. No contribution requirements.	None. Since the profit-sharing plan limit has been increased to 25%, there may not be a need for a money purchase plan. (Organizations may want to consider merging their MPP into a new PSP.)	Allows employees to contribute on a pretax basis. Employer may add to or match contributions. Visible and popular benefit.	Easy to establish. Little plan administration required. May be set up after close of tax year. Contributions are discretionary.	Good for small for-profits. Works like a 401(k) without reporting requirements.	Can supplement any core plan or match 401(a), or Money Purchase 403(b) with pretax employee contributions. Separate 415(c) limit from 401(a) plan. No ADP test.
Plan disadvantage	Costly to administer. Requires actuarial calculations and may require PBGC premiums. Benefit not easily understood by employees. (The Variable Annuity Life Insurance Company does not administer this type of plan.)	Requires annual reporting to IRS and DOL. If over 100 participants, requires independent financial audit.	Annual fixed contribution. Requires annual reporting to IRS and DOL. If over 100 participants, requires independent financial audit.	Special nondiscrimination tests apply which some employers may find problematic to pass. Requires annual reporting to IRS and DOL. If over 100 participants, requires independent financial audit.	Contributions must be 100% vested. Difficult to exclude part-time employees.	Special nondiscrimination tests apply. Contributions must be 100% vested. Difficult to exclude part-time employees. Employer deduction limit higher than employee exclusion.	Special nondiscrimination tests may apply to a matching arrangement. Suffers with name recognition vs. 401(k). Investments limited to annuity contracts or mutual funds inside custodial accounts.

Notes: The maximum amount of compensation that may be used to calculate benefits is \$245,000, as indexed; except for "grandfathered" participant in a governmental plan. 401(a) profit sharing, money purchase and 401(k) plans that are invested exclusively in annuities do not require a trustee. The Variable Annuity Life Insurance Company generally refers to all these plans for marketing purposes as 403(a) plans. SIMPLE IRAs may reduce the 3% matching limit to a lower limit, but not less than 1%. The 3% limit cannot be lowered more than two calendar years out of the five-year period ending with the calendar year the reduction is effective.

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Retirement Plan Types 2009

	IRA	Roth IRA	SIMPLE IRA	SIMPLE 401(k)	457(b) Governmental	457(b) Nongovernmental	457(f)
Who can establish these plans?	Individual taxpayers under 70½ by the end of the year with earned income.	Individual taxpayers of any age with earned income AGI below \$110k-single or \$160k-joint.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, no more than 100 employees last calendar year with more than \$5,000 compensation.	Corporations (including Subchapter S), Self-Employed Individuals, Sole Proprietors, Partnerships, Nonprofit Organizations, no more than 100 employees last calendar year with more than \$5,000 compensation.	State and local governments.	Any 501(c) tax-exempt organization (not churches).	Any 501(c) tax-exempt organization, state and local governments.
How is the plan set up?	Custodial agreement with a financial institution or annuity contract.	Custodial agreement with a financial institution or annuity contract.	Adoption of IRS Form 5304-SIMPLE (nondesignated financial institution). Must be exclusive plan of employer for the eligible employees.	Adoption of plan or trust agreement or prototype. Must be exclusive plan of employer for the eligible employees.	Adoption of plan (Assets must be held in trust, custodial account or annuity contract for the exclusive benefit of plan participants/beneficiaries.)	Adoption of plan with or without a Rabbi Trust.	Adoption of plan with or without a Rabbi Trust.
When must the plan be established?	April 15th following tax year of individual's regular contributions.	April 15th following tax year of regular contributions.	By October 1. Must be maintained on a calendar year basis.	By October 1. Must be maintained on a calendar year basis.	Not specified in code/regulations; adoption prior to deferrals advisable.	Not specified in code/regulations; adoption prior to deferrals advisable.	By 12/31 prior to first employee contribution.
When must contributions be made?	April 15th following tax year of individual's contribution for regular contributions.	April 15th following tax year of contribution for regular contributions.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. Employer contributions must be made by tax due date plus extensions.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. Employer contributions must be made by tax due date plus extensions.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus.	Employee deferrals are made on a salary reduction basis or deferral of a cash bonus. Employer contributions by 12/31.
How are contributions/benefits determined?	Contributions are determined annually by the individual. If the individual is an active participant in an employersponsored retirement plan and has AGI of less than \$65,000 (single) or \$109,000 (joint), some or all of the contribution may be deductible.	Tax-free earnings after 5 account years and withdrawal is made: 1. On or after age 59½ 2. To a beneficiary after death 3. After disability 4. For first-time home purchase (up to 10k) for you, spouse, child or grandchild.	Contributions are determined annually by the employer and employees.	Contributions are determined annually by the employer and employees.	Contributions are determined annually by the employer and employees.	Contributions are determined annually by the employer and employees.	Employee and/or employer determine amounts prior to year of deferral. 2+ year minimum service completion date for each year's deferral.
What are the participant eligibility requirements?	Earned income up to level of contribution and under age 70½.	Contribution eligibility phased out for AGI single \$105,000-120,000, joint \$166,000-\$176,000.	At least \$5,000 in compensation (as indexed) in any two preceding years and in current year.	Generally age 21 and one year of service at 1,000 hours.	All employees and independent contractors.	Select group of management or highly compensated employees.	Any employee for governmental. Select group of management or highly compensated employees for tax-exempts.
What is the limit on employee contributions to the plan?	Contribution limit \$5,000 in 2009, then indexed in \$500 increments; combined with Roth IRA contributions.	Contribution limit \$5,000 in 2009, then indexed in \$500 increments. Reduced by any other IRA contributions.	100% of compensation up to the applicable limit. Salary reduction limit is \$11,500 in 2009, then indexed in \$500 increments.	100% of compensation up to the applicable limit. Salary reduction limit is \$11,500 in 2009, then indexed in \$500 increments.	100% of includible compensation up to the applicable limit. Elective deferral limit increased to \$16,500 in 2009, then indexed in \$500 increments.	100% of includible compensation up to the applicable limit. Elective deferral limit increased to \$16,500 in 2009, then indexed in \$500 increments.	Unlimited (can be up to 100% of reasonable compensation).
What is the limit on employer contributions to the plan?	Not applicable.	Not applicable.	Employer must contribute 100% of deferrals up to 3% of compensation or a 2% nonelective contribution. Matching contributions may vary (see footnote). No other contributions are allowed.	Employer must contribute 100% of deferrals up to 3% of compensation or a 2% nonelective contribution. Matching contributions cannot be varied. No other contributions are allowed.	Total of all employee and employer contributions subject to the applicable employee limit each year.	Total of all employee and employer contributions subject to the applicable employee limit each year.	No specific dollar or percentage limit.
What is the limit on employee catch-up contributions to the plan?	Individuals age 50 or older can make additional contributions of up to \$1,000 in 2009 (not indexed).	Individuals age 50 or older can make additional contributions of up to \$1,000 in 2009 (not indexed).	Individuals age 50 or older can make additional contributions equal to \$2,500 in 2009, then indexed in \$500 increments.	Individuals age 50 or older can make additional contributions equal to \$2,500 in 2009, then indexed in \$500 increments.	Individuals age 50 or older can make additional contributions of up to \$5,500 in 2009, then indexed in \$500 increments. Additional catch-up limitation of up to twice the applicable dollar limit for employees within three years of Normal Retirement Age (NRA) and with unused capacity. (Cannot use both limitations at the same time.)	Catch-up limitation of up to twice the applicable dollar limit for those employees within three years of Normal Retirement Age (NRA) and with unused capacity. (Age-based catch-up not available.)	Not allowed.
Are annual contributions required?	No	No	Yes	Yes	No	No	No
Plan advantage	Contributions may be fully or partially deductible. Generally, amounts are not taxed until distributed.	Good for businesses with uncertain or cyclical profits. No contribution requirements.	Easy to establish and administer. 415 limits do not apply.	Pretax contributions. Employer must add to or match contributions. Visible and popular benefit. Easy administration. Loans and hardships allowed.	Pretax contributions with tax-deferred earnings. Contribution limits are not coordinated with 403(b) or 401(k). Not subject to ERISA.	Pretax contributions with tax-deferred earnings. No coordination with 403(b) or 401(k). Not subject to ERISA. One-time DOL filing required.	Unlimited pretax deferrals with tax-deferred growth. No coordination with 403(b) or 401(k). Not subject to ERISA. One-time DOL filing required.
Plan disadvantage	Contribution limits are less than 401(k) and SIMPLEs.	Requires annual reporting to IRS and DOL. If over 100 participants, requires independent financial audit.	Contribution is limited to \$11,500 vs. \$16,500 for 401(k) in 2009. Contributions must be 100% vested. No loans or hardships allowed.	Contribution is limited to \$11,500 vs. \$16,500 for 401(k) in 2009. Contributions must be 100% vested. IRS Form 5500 required.	In-service withdrawals are limited to unforeseeable emergency standard; much stricter than financial hardship standard.	Subject to creditors upon employer bankruptcy, no portability, subject to irrevocable distribution election, and age-based catch-up not available.	Substantial risk of forfeiture, risk of employer bankruptcy, contributions and earnings fully taxable in year when substantial risk of forfeiture no longer exists.

Notes: The maximum amount of compensation that may be used to calculate benefits is \$245,000, as indexed; except for "grandfathered" participant in a governmental plan. 401(a) profit sharing, money purchase and 401(k) plans that are invested exclusively in annuities do not require a trustee. The Variable Annuity Life Insurance Company generally refers to all these plans for marketing purposes as 403(a) plans. SIMPLE IRAs may reduce the 3% matching limit to a lower limit, but not less than 1%. The 3% limit cannot be lowered more than two calendar years out of the five-year period ending with the calendar year the reduction is effective.