

BENEFIT PLANNING INC.

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Your Qualified Plan:

Updates, News, and Ideas

More Analysis of New Laws

As we continue to distill the impact of the new law (EGTRRA), a number of things become apparent:

SEP Plans

SEPs continue to **not** offer the breadth that Qualified Plans do. Here are a few bullet points:

- ❑ SEPs do not offer the ability to add 401(k) provisions to allow higher deductions (see article below)
- ❑ SEPs require fully vested contributions, even to employees who terminate employment during the year.
- ❑ SEPs do not allow plan loans.

Richard Kaplan, CEO has written a short article highlighting the above, along with other advantages of qualified plans. You can see it at www.BenefitPlanning.LA in the “newsletter” section; or call us, we’ll send it to you.

“One Person” 401(k)s

One plan design we’ve mentioned before deserves a detailed look. Previously, it made no sense for a “One Person” company to implement **employee** contributions

because of deductibility limits. Now, a single employee company whose only employee receives less than \$160,000 has a reason to implement **employee** contributions to the plan. Here’s an example to illustrate why:

	2001	2002
Compensation	\$100,000	\$100,000
Max employer	\$ 25,000	\$ 25,000
401(k)	Not deductible	\$ 11,000
Max Total	\$ 25,000	\$ 36,000

This technique cannot be used to exceed the \$40,000 Defined Contribution limit. So, for small plans that whose contributions would otherwise not reach \$40,000, adding 401(k) provisions may make sense.

Please contact us if you are interested in hearing more about this.

“New Comparability” Final Regulations

The new rules will impact many of our clients. Look for a detailed letter coming to you soon.

Section 412(i) Plans

Another plan design is becoming more popular. Through the use of annuity contracts and/or insurance in a Defined Benefit plan, owners (especially younger owners) can contribute and deduct significantly more to a retirement plan.

This, along with the other increases in Defined Benefit plans, has given owners and their advisors new reasons to look into implementing Defined Benefit plans.

Cafeteria Plans

This tax time of year always spurs looking into new ways to reduce tax liability. "Aha" moments occur when our clients understand 1) what Section 125 "Cafeteria" plans do; and 2) that Benefit Planning, Inc. handles these plans.

125 Plans reduce income and redirect it to pay for health or childcare employee benefits.

The employee gets a reduction in taxable income, and the employer lessens his payroll tax burden. Often, this works out to be a profit center for the company(!).

Since we can handle this for you, it is not necessary to give the same year end information to multiple firms - you can coordinate all your Employee Plans at Benefit Planning, Inc. Let us know if we can help.

Traditional IRA contributions

Many employees do not know that even though the "Covered by Retirement" box is checked on their Form W2, they can still contribute to a Traditional IRA if their income is below \$43,000 (single) or \$63,000 (married filing jointly).

Employers EGTRRA and You

EGTRRA *requires* that a model amendment be adopted. **As of this printing, California has still not adopted these Federal provisions.**

Recently, we sent you a "checklist" that allowed you to customize this required amendment to better fit your plan.

We are waiting for California to adopt and conform to the Federal law before we send you the model amendment for your signature.

E-Update

We continue to find efficiencies using electronic data. Please take a moment to review your current ways of working with us. Are you taking full advantage of all our e-data options? Check out www.BenefitPlanning.LA or call us to learn more.

Nationwide Newsletter

Along with this newsletter we are sending an additional Nationwide newsletter to our Nationwide clients. If you would like to receive that newsletter, please let us know

