

BENEFIT PLANNING INC.

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Your Qualified Plan:

Updates, News, and Ideas

Our condolences and thoughts go out to all the families affected by the events of September 11, 2001. With the nation's armed forces mobilizing, still more families will be affected, let us continue in our united spirit...

In related news, the Dept. of Labor and IRS issued appropriate extensions for those immediately impacted by the events. Also, many employees have been called to active duty. If you have any employees that have been called to active duty and if you have questions regarding your retirement plan obligations under USERRA, please give us a call -- we are happy to be of service.

New Comparability Final Regulations

Earlier this year final regulations were issued that affect those plans that use "tiered allocations" to provide different categories of contributions among their employees. The good news is that this plan design remains vital and encourages small to medium sized businesses to increase contributions to retirement plans.

The main requirement of the final regulations is the establishment of a "gateway" contribution (a minimum required contribution to use the

tiered allocation). For 401(k), Profit Sharing, and Money Purchase plans the gateway contribution is 5%, for Defined Benefit combination plan designs the gateway contribution is 7.5%. These numbers represent small increases from the top heavy minimums of 3% and 5% respectively that were de facto requirements to implement tiered allocations. So, new comparability is alive and well.

EGTRRA and You

Our last newsletter gave an overview of the wide implications of this year's law changes (you can view our previous newsletters at www.BenefitPlanning.LA).

Important are the implications for Defined Benefit plans, 401(k) plans, and "paired" Money Purchase & Profit Sharing plans.

Defined benefit limit increases coupled with compensation limit increases significantly raise the potential funding requirements for Defined Benefit plans. Recent IRS guidance gives flexibility in how these changes are implemented. Good communication with our Defined Benefit plan clients will ensure no surprises and allow us to tailor the implementation of the law changes for each plan.

EGTRRA, continued

401(k) plan limits are also increased, creating opportunities and incentive to implement or add 401(k) features to an existing profit sharing plan. For example, "one man" 401(k) plans may now make sense.

Money Purchase plans were often used to allow a contribution of up to 25% of compensation. Often a Profit Sharing plan was established to allow some flexibility in contribution. Beginning in 2002, a Profit Sharing Plan allows contributions of up to 25% of compensation, eliminating the need for the Money Purchase plan. We are actively consulting to "merge" plans to reduce administrative and GUST restatement fees for our clients.

Bonding requirements

We let you know about the new bonding requirements issued by the Dept. of Labor. In response to increasing complexity in this area of

compliance, Benefit Planning, Inc. is now offering to bundle the placement and maintenance of fidelity (and even fiduciary) bonds within our administrative system.

The upside for our clients is increased compliance and protection, potentially lower rates and unified billing that is especially helpful when plan expenses are paid by the plan. We will be contacting you about this soon.

E Data

Many clients have reaped the benefits of electronically transmitting plan data to us. With the completion of the most recent administrative cycle, the benefit of emailing data via template or spreadsheet has become even more apparent. If you are at all curious about implementing this in your firm, please call

We currently are updating our email address database. Please help by sending a note to Guy@BenPlanInc.com

Minimum Distribution and GUST

Most of our older clients wish to take advantage of the new minimum distribution rules that significantly lower the amount that must be taken as a required minimum distribution each year.

We are automatically incorporating the new rules in our plans as we restate for GUST. If you wish to use the new rules and have not yet received your new plan, please be sure to contact us. We will make sure that your plan has the correct language to fully take advantage of the new rules.

Did you know?

1/3 of plan participants do not roll over their retirement plan accounts at termination. This represents a 7% improvement since 1993, reflecting better understanding by participants that it is in their best interests to retain retirement plan assets for retirement

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