



### 2010 Key Numbers: Retirement Planning

Winter 2010

There are many ways to save for retirement. Certain plans are for large businesses; others for the self-employed. And, still others for those who own their own businesses and have employees. Each plan has different rules and contribution limitations. While choosing exactly the right plan may take delving deeply into these rules, and getting some advice, it can be helpful to see an overview.

Retirement Planning	2008	2009	2010
<b>Employee/individual contribution limits</b>			
<b>Elective deferral limits</b>			
* 401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs <sup>1</sup> (Includes Roth 401(k) and Roth 403(b) contributions)	Lesser of \$15,500 or 100% of participant's compensation	Lesser of \$16,500 or 100% of participant's compensation	Lesser of \$16,500 or 100% of participant's compensation
* SIMPLE 401(k) plans and SIMPLE IRA plans <sup>1</sup>	Lesser of \$10,500 or 100% of participant's compensation	Lesser of \$11,500 or 100% of participant's compensation	Lesser of \$11,500 or 100% of participant's compensation
<b>IRA contribution limits</b>			
* Traditional IRAs	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income
* Roth IRAs	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income	Lesser of \$5,000 or 100% of earned income
<b>Additional "catch-up" limits (individuals age 50 or older)</b>			
* 401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs <sup>2</sup>	\$5,000	\$5,500	\$5,500
* SIMPLE 401(k) plans and SIMPLE IRA plans	\$2,500	\$2,500	\$2,500
* IRAs (traditional and Roth)	\$1,000	\$1,000	\$1,000
<b>Employer contribution/benefit limits<sup>3</sup></b>			
<b>Defined benefit plan limits</b>			
* Annual contribution limit per participant	No predetermined limit. Contributions based on amount needed to fund promised benefits.	No predetermined limit. Contributions based on amount needed to fund promised benefits.	No predetermined limit. Contributions based on amount needed to fund promised benefits.
* Annual benefit limit per participant	Lesser of \$185,000 or 100% of average compensation for highest three consecutive years	Lesser of \$195,000 or 100% of average compensation for highest three consecutive years	Lesser of \$195,000 or 100% of average compensation for highest three consecutive years

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**Defined contribution plan limits (qualified plans, 403(b) plans, SEP, and SIMPLE plans)**

* Annual addition limit per participant (employer contributions; employee pretax, after-tax, and Roth contributions; and forfeitures) (does not apply to SIMPLE IRA plans)	Lesser of \$46,000 or 100% (25% for SEP) of participant's compensation	Lesser of \$49,000 or 100% (25% for SEP) of participant's compensation	Lesser of \$49,000 or 100% (25% for SEP) of participant's compensation
* Maximum tax-deductible employer contribution (not applicable to 403(b) plans)	25% of total compensation of employees covered under the plan (20% if self employed) plus any employee pretax and Roth contributions; 100% for SIMPLE plans	25% of total compensation of employees covered under the plan (20% if self employed) plus any employee pretax and Roth contributions; 100% for SIMPLE plans	25% of total compensation of employees covered under the plan (20% if self employed) plus any employee pretax and Roth contributions; 100% for SIMPLE plans

**Compensation limits/thresholds**

**Retirement plan compensation limits**

* Maximum compensation per participant that can be used to calculate tax-deductible employer contribution (qualified plans and SEPs)	\$230,000	\$245,000	\$245,000
* Compensation threshold used to determine a highly-compensated employee	\$105,000 (when 2008 is the look-back year)	\$110,000 (when 2009 is the look-back year)	\$110,000 (when 2010 is the look-back year)
* Compensation threshold used to determine a key employee in a top-heavy plan	\$1 for more-than-5% owners \$150,000 for officers \$150,000 for more-than-1% owners	\$1 for more-than 5% owners \$160,000 for officers \$150,000 for more-than 1% owners	\$1 for more-than 5% owners \$160,000 for officers \$150,000 for more-than 1% owners
* Compensation threshold used to determine a qualifying employee under a SIMPLE plan	\$5,000	\$5,000	\$5,000
* Compensation threshold used to determine a qualifying employee under a SEP plan	\$500	\$550	\$550

**Traditional deductible IRA compensation limits**

\* Income phase-out range for determining deductibility of traditional IRA contributions for taxpayers:

1. Covered by an employer-sponsored plan and filing as:

Single	\$53,000 - \$63,000	\$55,000 - \$65,000	\$56,000 - \$66,000
Married filing jointly	\$85,000 - \$105,000	\$89,000 - \$109,000	\$89,000 - \$109,000
Married filing separately	\$0-\$10,000	\$0 - \$10,000	\$0 - \$10,000

2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by an employer-sponsored retirement plan

\$159,000-\$169,000	\$166,000-\$176,000	\$167,000-\$177,000
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**Roth IRA compensation limits**

\* Income phase-out range for determining ability to fund Roth IRA for taxpayers filing as:

Single	\$101,000-\$116,000	\$105,000-\$120,000	\$105,000-\$120,000
Married filing jointly	\$159,000-\$169,000	\$166,000-\$176,000	\$167,000-\$177,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000	\$0 - \$10,000

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* Annual income limit for determining ability to convert traditional IRA to Roth IRA	\$100,000	\$100,000	N/A
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<sup>1</sup> Must aggregate employee contributions to all 401(k), 403(b), SAR-SEP, and SIMPLE plans of all employers. 457(b) plan contributions are not aggregated. For SAR-SEPs, the percentage limit is 25% of compensation reduced by elective deferrals (effectively, a 20% maximum contribution).

<sup>2</sup> Special catch-up limits may also apply to 403(b) and 457(b) plan participants.

<sup>3</sup> Note: For self-employed individuals, compensation generally means earned income. This means that, for qualified plans, deductible contributions for a self-employed individual are limited to 20% of net earnings from self-employment (net profits minus self-employment tax deduction), and special rules apply in calculating the annual additions limit.