

2008 Plan Comparison

	Traditional IRA	Roth IRA	SEP	SIMPLE IRA	Profit Sharing / Money Purchase	403(b)(7)** / Roth 403(b)(7)	401(k) / Roth 401(k)	Safe Harbor 401(k) / Roth Safe Harbor 401(k)	Individual K / Roth Individual K
Plan Features	Contributions may be tax deductible (if individual falls within income guidelines); Can be used in conjunction with any retirement plan	Tax-free growth and distributions (provided certain conditions are met); Non-deductible contributions may be made even after age 70½; Can be used in conjunction with any retirement plan	Employer funded; Easy to establish and maintain; Minimal IRS filings and paperwork; Low cost	Employee funded; Easy to establish and maintain; No ADP/ACP non-discrimination testing; Mandatory employer contributions; Employer cannot maintain another retirement plan	Employer funded; Allows restricted coverage; Allows control over when the money will be withdrawn; May allow for loans	Primarily employee funded; Easy to establish and maintain; Pre-tax contributions may reduce employee's current taxable income	Employee funded with possible Employer contribution; Allows restricted coverage; Allows control over when the money will be withdrawn; May allow for loans	Employee & Employer funded; Allows employers to maximize contributions made by highly compensated employees; Mandatory employer contributions; No ADP/ACP discriminatory testing	Employee & Employer funded; Allows control over when the money will be withdrawn; May allow for loans; Designed specifically for owner-only businesses
Who May Establish	Age Limit: 70½; Income Limit: None	Age Limit: None; Income Limit: \$116,000 for single & \$169,000 for joint	Sole proprietors, partnerships, corporations, non-profit, government entities	Employers with 100 or less employees, including sole proprietors, partnerships, corporations, non-profit and government entities	Sole proprietors, partnerships, corporations, non-profit, government entities	Employees of public schools and 501(c)(3) organizations	Sole proprietors, partnerships, corporations, non-profit	Sole proprietors, partnerships, corporations, non-profit	Employer only businesses including sole proprietors, partnerships, corporations, non-profit (May employ spouse or immediate family)
Establishment Deadline	Tax Filing Deadline (Generally April 15th)	Tax Filing Deadline (Generally April 15th)	Tax filing deadline plus extensions	October 1st	Plan year end, usually Dec 31 for calendar year plans	Plan year end, usually Dec 31 for calendar year plans	Plan year end, usually Dec 31 for calendar year plans	October 1st	Plan year end, usually Dec 31 for calendar year plans
Contribution Deadline	Tax filing deadline (Generally April 15th)	Tax filing deadline (Generally April 15th)	Tax filing deadline plus extensions	Salary deferrals made on each pay period; Employer contributions by tax filing deadline plus extensions	Tax filing deadline plus extensions	Salary deferrals made on each pay period; Employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period. For sole proprietors, when business income is determined; Employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period. For sole proprietors, when business income is determined; Employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period. For sole proprietors, when business income is determined; Employer contributions by tax filing deadline plus extensions
Contribution Limit / Requirements	Annual contributions of up to \$5,000 or 100% of compensation, whichever is less; Catch-up contributions of \$1000 if age is 50 or older; Non-employed spouses may also contribute up to \$5,000 per year if conditions are met (\$6000 if over 50)	Annual contributions of up to \$5,000 or 100% of compensation, whichever is less; Catch-up contributions of \$1000 if age is 50 or older; Non-employed spouses may also contribute up to \$5,000 per year if conditions are met (\$6000 if over 50)	25% of compensation up to \$46,000; Approximately 20% for sole proprietors (due to self-employment deduction)	Employees can defer up to \$10,500; Catch-up contributions of \$2,500 if age 50 or older; Employer must match 3% of deferrals (can be lowered to 1% 2 of every 5 years); OR 2% of compensation as a non-elective contribution	25% of compensation up to \$46,000; Approximately 20% for sole proprietors (due to self-employment deduction); PSP contributions are discretionary & MPP contributions are required by percentage specified in plan document	Employees can defer up to \$15,500; Catch-up contributions of \$5,000 if age 50 or older; Employer contribution of 25% of compensation; Total combined employer and employee contributions cannot exceed \$46,000 (excludes catch-up contribution); Long tenured catch-up contribution for employees of 15 years or greater with same employer	Employees can defer up to \$15,500; Catch-up contributions of \$5,000 if age 50 or older; Employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); Total combined employer and employee contributions cannot exceed \$46,000 (excludes catch-up contribution)	Employees can defer up to \$15,500; Catch-up contributions of \$5,000 if age 50 or older; Typically Employer contributes dollar for dollar on the first 3% and \$.50 on the dollar for the next 2%; Other Employer contribution options are available; Additional non-safe harbor employer contributions are allowed	Employees can defer up to \$15,500; Catch-up contributions of \$5,000 if age 50 or older; Employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); Total combined employer and employee contributions cannot exceed \$46,000 (excludes catch-up contribution)
Who Contributes	Individual	Individual	Employer	Employee & Employer	Employer	Employee & Employer	Employee & Employer	Employee & Employer	Individual
Maximum Employee Eligibility Restrictions	N/A	N/A	Age 21 or older, worked 3 of last 5 years and earned at least \$500 in each of those years; May exclude union employees and non-resident aliens	Earned at least \$5,000 during any 2 prior years and is expected to earn at least \$5,000 in current year; May exclude union employees and non-resident aliens; No age limit restriction	Age 21 or older, worked one year (or two years if 100% immediate vesting) May exclude employees who work less than 1,000 hours per year, union employees and non-resident aliens	Generally, all employees	Age 21 or older, worked one year; May exclude employees who work less than 1,000 hours per year, union employees and non-resident aliens	Age 21 or older, worked one year; May exclude union employees and non-resident aliens; May not exclude employees due to minimum hours or last day rules	N/A
Vesting	100%	100%	100%	100% for both employee and employer contributions	Vesting schedule allowed	100%	100% for employee contributions; vesting schedule allowed for employer contributions	100% for both employee and employer contributions; Vesting schedule allowed for any employer contributions made in addition to mandatory safe harbor contributions	Vesting schedule allowed but generally not used
Distributions	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½; Exceptions to 10% penalty may apply	Tax-free distributions allowed provided certain conditions are met; No minimum distributions required at age 70½	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½; Exceptions to 10% penalty may apply	Distributions taken prior to age 59½ may be subject to 10% penalty tax, in addition to ordinary income tax (25% penalty applies if distribution is within 2 years of participation; Minimum distributions required at 70½; Exceptions to 10% penalty may apply	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of plan's normal retirement age, separation from service, plan termination; Any distributions taken prior to age 59½ (age 55 if separated from service), may be subject to 10% penalty tax, in addition to ordinary income tax; Minimum distributions may be required at 70½	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½, separation from service, or hardship; Any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions may be required at 70½	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½, separation from service, plan termination or hardship; Any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions may be required at 70½	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½, separation from service, plan termination or hardship; Any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions may be required at 70½	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½, separation from service, plan termination or hardship; Any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions may be required at 70½
Loan Features	Not available	Not available	Not available	Not available	Allowed	Allowed	Allowed	Allowed	Allowed
Plan Administration	None	None	None	None	IRS form 5500 and other ERISA requirements*	IRS form 5500 and other ERISA requirements if subject to ERISA*	IRS form 5500 and other ERISA requirements*	IRS form 5500 and other ERISA requirements*	IRS 5500 EZ when plan assets reach \$250,000 with fewer than 25 participants.

*Owner only plans are not required to file IRS 5500 until assets reach \$100,000

**Employer may make matching or discretionary contributions within an ERISA 403(b); ERISA 403(b) is subjected to ERISA requirements

RETIREMENT PLAN PORTABILITY

		RECEIVING PLAN										
		IRA (Traditional Spousal)	Roth IRA	SEP IRA	SIMPLE IRA	Coverdell ESA	Qualified Plans ³	Roth 401(k)	403(b)	Roth 403(b)	SIMPLE 401(k)	Government 457 Plan
DELIVERING PLAN	To	IRA (Traditional Spousal) ¹	Roth IRA	SEP IRA	SIMPLE IRA	Coverdell ESA	Qualified Plans ³	Roth 401(k)	403(b)	Roth 403(b)	SIMPLE 401(k)	Government 457 Plan
	From	Transfer or Rollover	Conversion	Transfer or Rollover	NO	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
	IRA (Traditional Spousal) ¹	Transfer or Rollover	Conversion	Transfer or Rollover	NO	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
	Roth IRA	Recharacterization	Transfer or Rollover	Recharacterization	NO	NO	NO	NO	NO	NO	NO	NO
	SEP IRA	Transfer or Rollover	Conversion	Transfer or Rollover	NO	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
	SIMPLE IRA	Transfer ² or Rollover ²	Conversion	Transfer ² or Rollover ²	Transfer or Rollover	NO	Rollover ²	NO	Rollover ²	NO	Rollover ²	Rollover ²
	Coverdell ESA	NO	NO	NO	NO	Transfer or Rollover	NO	NO	NO	NO	NO	NO
	Qualified Plans ^{3,1}	Rollover	Conversion	Rollover	NO	NO	Transfer ⁴ or Rollover	NO	Rollover	NO	Rollover	Rollover
	Roth 401(k)	NO	Rollover	NO	NO	NO	NO	Transfer ⁴ or Rollover	NO	Rollover	NO	NO
	403(b)	Rollover	Conversion	Rollover	NO	NO	Rollover	NO	Transfer or Rollover	NO	Rollover	Rollover
	Roth 403(b)	NO	Rollover	NO	NO	NO	NO	Rollover	NO	Transfer ⁴ or Rollover	NO	NO
	SIMPLE 401(k)	Rollover	Conversion	Rollover	NO	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
Government 457 Plan	Rollover	Conversion	Rollover	NO	NO	Rollover	NO	Rollover	NO	NO	Transfer or Rollover	

1. After tax contributions require special consideration. Client should consult with a tax advisor for portability guidelines.
2. Available only after the individual has been a SIMPLE plan participant for over two years.
3. Qualified Plans include: Profit Sharing, Money Purchase, Defined Benefit, ESOP, Target Benefit and 401(k) plans.
4. Only a plan merger could be done as a transfer. All other movement would need to be done as a rollover.

PORTABILITY DEFINITIONS

Transfer

- Movement of assets from one account to another in which both accounts are considered like-plans. This type of transaction does not generate any tax reporting to the IRS and is therefore non-taxable. If the assets are changing custodian, the receiving custodian will need to sign a letter of acceptance accepting custodial responsibility of the account.
- To request a Transfer into LPL Financial, complete Customer Account Transfer form F2.
- To request a Transfer out of LPL Financial, complete the receiving firm's Transfer form.

Rollover

- Movement of assets from one account to another. This type of transaction generates a 1099R on the delivering side and a 5498 on the receiving side. The event may be non-taxable if it is done properly and within 60 days.
- To receive a Rollover into LPL Financial, complete a Contribution Instructions Form (FR140 or FR141).
- To request a Rollover out of LPL Financial, complete a Distribution Request Form (FR120, FR123 or FR124).

Conversion

- Movement of assets from an eligible qualified plan or IRA to a Roth IRA. This type of transaction generates a 1099R on the delivering side and a 5498 on the receiving side. This is a taxable event and only eligible to individuals with \$100,000.00 or less in MAGI.
- To request a Conversion between LPL Financial accounts complete Contribution Instructions - Roth Conversion (FR144).

Recharacterization

- Movement of assets from one account into another account to undo a previous transaction. This transaction is most common from a Roth IRA to an eligible IRA to undo a Roth Conversion. The transaction will generate a 1099R on the delivering side and a 5498 on the receiving side.
- To request a Recharacterization between LPL Financial accounts complete a Contribution Instructions/Recharacterization Form (FR145).

ANNUAL CONTRIBUTION LIMITS	2007	2008
Traditional IRA, Roth IRA, Spousal, Guardian	\$4,000	\$5,000
Traditional, Roth, Spousal IRA Catch-up Contribution	\$1,000	\$1,000
Coverdell ESA (per beneficiary)	\$2,000	\$2,000
Employer Deduction Limit (SEP, MPP, PSP, 401(k)*)	25% aggregate comp	25% aggregate comp
Elective deferral (402(g) limit): 401(k), SARSEP, 457 and 403(b)	\$15,500	\$15,500
Defined Contribution 415 Limit (the lesser of)	100% comp or \$45,000	100% comp or \$46,000
Salary Deferral Catch-up Limit (does not count against 415 Limits in a 401(k) plan)	\$5,000	\$5,000
SIMPLE Plan deferral	\$10,500	\$10,500
SIMPLE IRA Catch-up Limit	\$2,500	\$2,500
Defined Benefit 415 Limit	\$180,000	\$185,000
Annual Compensation Cap	\$225,000	\$230,000
SEP Participation Compensation	\$500	\$500
Highly Compensated Employee (HCE)	\$100,000	\$105,000
Key Employee Officer Definition	\$145,000	\$150,000
Social Security Taxable Wage Base	\$97,500	\$102,000

TAX DEDUCTIBILITY OF IRA CONTRIBUTIONS (TAX YEAR 2008) FOR PARTICIPANTS IN EMPLOYER-SPONSORED RETIREMENT PLANS

- IRA contributions are fully deductible if neither you nor your spouse participate in an employer-sponsored retirement plan such as 401(k), 403(b), or pension plan.
- **Deductibility is limited** if you or your spouse participate in an employer-sponsored retirement plan. Refer to the chart below to figure your deduction.

Modified Adjusted Gross Income				Maximum 2008 Deduction for Those Under Age 50	Maximum 2008 Deduction for Those Age 50 and Older
Single Filers	Married Filing Jointly		Married Filing Separately		
	You Participate	Only Spouse Participates			
\$53,000 & under	\$85,000 & under	\$159,000 & under	\$0	\$5,000	\$6,000
\$54,000	\$87,000	\$160,000	\$1,000	\$4,500	\$5,400
\$55,000	\$89,000	\$161,000	\$2,000	\$4,000	\$4,800
\$56,000	\$91,000	\$162,000	\$3,000	\$3,500	\$4,200
\$57,000	\$93,000	\$163,000	\$4,000	\$3,000	\$3,600
\$58,000	\$95,000	\$164,000	\$5,000	\$2,500	\$3,000
\$59,000	\$97,000	\$165,000	\$6,000	\$2,000	\$2,400
\$60,000	\$99,000	\$166,000	\$7,000	\$1,500	\$1,800
\$61,000	\$101,000	\$167,000	\$8,000	\$1,000	\$1,200
\$62,000	\$103,000	\$168,000	\$9,000	\$500	\$600
\$63,000 & over	\$105,000 & over	\$169,000 & over	\$10,000 & over	\$0	\$0

This chart is designed to give you a basic overview of IRA Deductions. LPL Financial recommends you consult with a qualified tax advisor before making IRA decisions.



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