2005 Plan Comparison

	Traditional IRA	Roth IRA	SEP	SIMPLE IRA	Profit Sharing/ Money Purchase	403(b)(7)**	401k	Safe Harbor 401k	Individual K
Plan Features	Contributions may be tax deductible (if individual falls within income guidelines); Can be used in conjuction 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 conjuction 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another retirement plan	Employer funded; Allows restricted coverage; Allows control over when the money will be withdrawn; May allow for loans	Primarily employee funded; Easy to establish and maintain; Pre-tax contributions may reduce employee's current taxable income	Employee funded with possible Employer contribution; Allows restricted coverage; Allows control over when the money will be withdrawn; May allow for loans	Employee & Employer funded; Allows employers to maximize contributions made by highly compensated employees; No ADP/ACP discriminatory testing	Employee & Employer funded; Allows control over when the money will be withdrawn; May allow for loans; Designed specifically for owner-only businesses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: $110,000 for single & $160,000 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)
Establishment Deadline	April 15	April 15	Tax filing, plus extensions	October 1	Plan year end, usually Dec. 31 for calender year plans	Plan year end, usually Dec. 31 for calender year plans	Plan year end, usually Dec. 31 for calender year plans	October 1	Plan year end, usually Dec. 31 for calender year plans
Contribution Deadline	April 15	April 15	Tax filing, plus extensions	Salary deferrals made on each pay period; Employer contributions by tax filing plus extensions	Tax filing, plus extensions	Salary deferrals made each pay period	Salary deferrals withheld each pay period or when business income is determined; Employer contributions by tax filing plus extensions	Salary deferrals withheld each pay period or when business income is determined; Employer contributions by tax filing plus extensions	Salary deferrals withheld each pay period or when business income is determined; Employer contributions by tax filing plus extensions
Contribution Limit / Requirements	Annual contributions of up to $4,000 or 100% of compensation, whichever is less; Catch-up contributions of $500 if age is 50 or older; Non-employed spouses may also contribute up to $4,000 per year if conditions are met	After-tax contributions of up to $4,000 or 100% of compensations, whichever is less; Catch-up contributions of $500 if age is 50 or older; Non-employed spouses may also contribute up to $4,000 if conditions are met	25% of compensation up to $42,000; Approximately 20% for sole proprietors (due to self-employment deduction)	Employees can defer up to $10,000; Catch-up contributions of $2,000 if age is 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 $42,000; 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 $14,000; Catch-up contributions of $4,000 if age is 50 or older	Employees can defer up to $14,000; Catch-up contributions of $4,000 if age is 50 or older; Employer contribution of 25% of compensation up to $42,000; Approximately 20% for sole proprietors (due to self-employement deduction)	Employees can defer up to $14,000; Catch-up contributions of $4,000 if age is 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 $14,000; Catch-up contributions of $4,000 if age is 50 or older; Employer contribution of 25% of compensation up to $42,000; Approximately 20% for sole proprietors (due to self-employment deduction)
Who Contributes	Individual	Individual	Employer	Employee & Employer	Employer	Employee	Employee & Employer	Employee & Employer	Individual
Employee Eligibility	N/A	N/A	Age 21 or older, worked 3 of last 5 years and earned at least $450 in year of eligibility; 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	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 emplyees due to minimum hours or last day rules	N/A
Vesting	100%	100%	100%	100% for both Employee and Employer contributions	Gradual vesting allowed	100%	100% for Employee contributions; Gradual vesting allowed for Employer contributions	100% for both Employee and Employer contributions	N/A
Distributions	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distirbutions required at 70½.	Tax-free distribution allowed anytime if conditions are met; No mininum 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 distirbutions required at 70½.	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.	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, may be subject to 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½.	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½, or hardship; Any 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.	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½ or hardship; Any distribution taken before 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½.	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½ or hardship; Any distribution taken before 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½.	Distributions can only be taken with a triggering event such as: death, permanent disability, attainment of 59½ or hardship; Any distribution taken before 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; Minimum distributions required at 70½.
Loan Features	Not available	Not available	Not available	Not available	Allowed	Allowed	Allowed	Allowed	Allowed
Plan Admistration	None	None	None	None	IRS 5500 and other ERISA requirements*	None	IRS 5500 and other ERISA requirements*	IRS 5500 and other ERISA requirements*	IRS 5500 when plan assets reach $100,000

**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); WRISA 403(b) is subjected to ERISA requirements*

Retirement Plan Portability

Delivering Plan: From \ Receiving Plan: To	IRA (Traditional Spousal)	Roth IRA	SEP IRA	SIMPLE IRA	Coverdell ESA	Qualified Plans[3]	403(b)	401(k)	Government 457 Plan
IRA (Traditional Spousal)	Transfer or Rollover	Conversion	Transfer or Rollover	NO	NO	Rollover	Rollover	Rollover	Rollover
Roth IRA	Recharacter-ization	Transfer or Rollover	Recharacter-ization	NO	NO	NO	NO	NO	NO
SEP IRA	Transfer or Rollover	Conversion	Transfer or Rollover	NO	NO	Rollover	Rollover	Rollover	Rollover
SIMPLE IRA	Transfer[2] or Rollover[2]	Conversion[2]	Transfer[2] or Rollover[2]	Transfer or Rollover[2]	NO	Rollover[2]	Rollover[2]	Rollover[2]	Rollover[2]
Coverdell ESA	NO	NO	NO	NO	Transfer or Rollover	NO	NO	NO	NO
Qualified Plans[3]	Rollover	NO	Rollover	NO	NO	Transfer[4] or Rollover	Rollover	Transfer or Rollover	Rollover
403(b)	Rollover	NO	Rollover	NO	NO	Rollover	Transfer or Rollover	Rollover	Rollover
401(k)	Rollover	NO	Rollover	NO	NO	Rollover	Rollover	Transfer or Rollover	Rollover
Government 457 Plan	Rollover	NO	Rollover	NO	NO	Rollover	Rollover	Rollover	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, complete Customer Account Transfer form F2.
– To request a Transfer out of LPL, 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, complete a Contribution Instructions Form (FR140 or FR141).
– To request a Rollover out of LPL, complete a Distribution Request Form (FR120, FR123 or FR124).

Conversion

– Movement of assets from an eligible 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 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 of the receiving side.
– To request a Recharacterization between LPL accounts complete a letter with specific instructions.

	2004	2005
Traditional IRA, Roth IRA, Spousal, Guardian	$3,000	$4,000
Traditional, Roth, Spousal IRA Catch-up Contribution	$500	$500
Coverdell ESA (per beneficiary)	$2,000	$2,000
Per-Participant SEP Plan Contribution Limit (with Compensation Cap) *The Lesser of*	25% comp or $41,000	25% comp or $42,000
Elective Deferrals (402(g) limit): 401(k), SARSEP, 457 and 403(b)	$13,000	$14,000
Salary Deferral Catch-up Limit	$3,000	$4,000
SIMPLE Plan Deferrals	$9,000	$10,000
SIMPLE IRA Catch-up Limit	$1,500	$2,000
457 Deferral Limit	$13,000	$14,000
Defined Contribution 415 Limit *The Lesser of*	100% Comp or $41,000	100% Comp or $42,000
Defined Benefit 415 Limit	$165,000	$170,000
Annual Compensation Cap	$205,000	$210,000
SEP Participation Compensation Minimum	$450	$450
Highly Compensated Employee (HCE)	$90,000	$95,000
Key Employee Officer Definition	$130,000	$135,000
Social Security Taxable Wage Base	$87,000	$90,000

Tax Deductibility of IRA Contributions (Tax Year 2005) for Participants in Employer-Sponsored Retirement Plans

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

Modified Adjusted Gross Income				Maximum 2005 Deduction for Those Under Age 50	Maximum 2005 Deduction for Those Age 50 and Older
Single Filers	Married Filing Jointly		Married Filing Separately		
	You Participate	Only Spouse Participates			
$50,000 & under	$70,000 & under	$150,000 & under	$0	$4,000	$4,500
$51,000	$71,000	$151,000	$1,000	$3,600	$4,050
$52,000	$72,000	$152,000	$2,000	$3,200	$3,600
$53,000	$73,000	$153,000	$3,000	$2,800	$3,150
$54,000	$74,000	$154,000	$4,000	$2,400	$2,700
$55,000	$75,000	$155,000	$5,000	$2,000	$2,250
$56,000	$76,000	$156,000	$6,000	$1,600	$1,800
$57,000	$77,000	$157,000	$7,000	$1,200	$1,350
$58,000	$78,000	$158,000	$8,000	$800	$900
$59,000	$79,000	$159,000	$9,000	$400	$450
$60,000 & over	$80,000 & over	$160,000 & over	$10,000 & over	$0	$0

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