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RETIREMENT PLAN UPDATE

SPECIALIZING IN INVESTMENT MANAGEMENT AND FINANCIAL EDUCATION
FOR RETIREMENT, 401(K) AND PENSION PLAN SPONSORS FALL 2005

“To Roth or not to Roth?”

Roth 401(k) Update

At this time there are several details that have not been clarified for plan sponsors, service providers and recordkeepers to properly prepare for Roth 401(k) programs. The effective date for Roth contributions is January 1, 2006 for calendar year plans. Providers that we have checked with think that they will be able to start these programs in the third quarter of 2006 as guidance on this new program has been slow to develop.

Following is some basic information regarding the Roth 401(k) programs for your review. Please check with your provider for more specific information on how they will handle these provisions.

- Starting in 2006 401(k) and 403(b) plans may provide participants with the ability to make Roth contributions directly to their 401(k) plans.
- Roth contributions will be made to 401(k) plans on an after-tax basis and (provided certain requirements are met) when contributions are withdrawn principal and earnings will be tax free. (i.e. withdrawals need to be made after the participant attains age 59 ½, made to a beneficiary after the death of the employee, or attributable to disability. There is also a time requirement five years that is applicable for tax free distributions).
- Roth contributions will be made through payroll withholding and will be recordkept as a separate account.
- Roth contributions will be aggregated with regular pretax salary deferrals for purposes of the annual limitation on deferrals, which will be \$15,000 for 2006, and will be subject to the overall limitations on annual additions (currently the lesser of \$42,000 or 100% of compensation).
- Roth contributions will not be subject to the income limitations that apply to Roth IRAs.

We hope that this information gave you a glimpse of what the new plans may look like. This information is intended for informational purposes only. Please consult your advisors to see how your specific plan will be affected.