

2008 Qualified Plan Limits

Most of the qualified plan limits are indexed to inflation, subject to certain rounding rules. Many of these limits were increased by EGTRRA in 2002 beyond the CPI-indexed increases that would have otherwise taken place. The most significant EGTRRA changes were the increases in 401(k) pre-tax contributions, catch-up contributions for employees age 50 and older, increase in maximum annual pensions, and the increase in considered compensation to \$200,000, indexed.

2008 Amount	Limit	Last Year's Amount
\$15,500	Maximum employee pre-tax deferral in a 401(k) or 403(b) plan. This limit is indexed.	15,500
\$5,000	Catch-up elective deferrals for employees with their 50 th or later birthday in 2007. Plans are not required to allow catch-ups and a plan amendment is required to do so.	5,000
\$10,500	Employee deferral limit for SIMPLE plans (IRA and 401(k) versions).	10,500
\$15,500	Maximum pre-tax deferral in a governmental deferred compensation (457) plan.	15,500
\$46,000 or 100% of pay	Annual addition limit for defined contribution plans.	45,000 or 100% of pay
\$230,000	Maximum compensation that can be considered in a qualified retirement plan. Certain grand-fathered governmental plans may use a limit of \$300,000.	225,000
\$185,000	Maximum annual pension payable from a defined benefit plan at age 65 as a life only annuity. Adjusted for payments starting before age 62 and other forms of annuity.	180,000
\$105,000	The dollar limit in the definition of "highly compensated employees" for nondiscrimination testing. The definition includes only a) 5% owners or b) employees earning over \$100,000 (indexed to the Consumer Price Index and based on the prior year's compensation). The employer may elect to limit the over \$100,000 pay group to the top 20% of payroll.	100,000
Employer deduction limit	Employee elective deferrals are no longer counted towards the aggregate employer deduction limit of 25% of participant payroll.	Changed in 2003

See IR 2007-171, October 18, 2007

The catch-up provision – a boon to employees age 50 and over

Eligible participants in 401(k) and similar plans may contribute an additional \$5,000 in 2008 beyond the \$15,500 maximum contribution that is generally allowed. To be eligible an employee must reach his or her 50th birthday (or later) in 2008.

Plans are not required to add a catch-up provision. If the catch-up is desired, it must be added by plan amendment. Contributions are only deemed as catch-up contributions at the end of the year (contributions intended as catch-up amounts may end up being under the standard limit in some situations).

2008 Social Security Increases

Social Security recipients receive a 2.3% increase in their benefits in January 2008. The increase, which is based on the annual change in the CPI, is less than the increase in 2007. Prior increases have been (from 2007 back) 3.3%, 4.1%, 1.3%, 2.1%, 2.9%, 2.6%, 2.4%, 3.5%, 2.6%, 1.4%, and 2.1%. The maximum benefit for an individual retiring at age 65 in 2008 is \$2,185 per month (up from \$2,116 last year). The Taxable Wage Base for 2008 is \$102,000; annual increases are indexed to US wage levels. The Medicare Part A deductible for 2008 is \$1,024 (up from \$982 last year) and the Part B premium is \$96.40 (up from \$93.50 last year). The Part B premium is higher for people with income is above \$82,000 (single) or \$164,000 (married couple), scaled to a maximum of \$238.40.

2006 Medicare Part D Payment Schedule (First Year)

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 250	0	0	100%	250	250
250 - 2,250	75%	1,500	25%	500	750
2,250 - 5,100	0%	0	100%	2,850	3,600
5,100 - no limit	95%	no limit	5%	no limit	no limit

2008 Medicare Part D Payment Schedule

Annual Drug Cost	Part D Pays		Individual (or Other Coverage) Pays		
	Percent	Max \$	Percent	Max \$	Cum Max \$
0 - 275	0	0	100%	275	275
275 - 2,510	75%	1,676.25	25%	558.75	833.75
2,510 - 5,726.25	0%	0	100%	3,216.25	4,050
5,726.25 - no limit	95%	no limit	5%	no limit	no limit

2008 Federal Income Tax Rates

The following rates are applied to 2008 taxable income.

Rate	Single	Married Joint
10% to	\$ 8,025	\$ 16,050
15% to	32,550	65,100
25% to	78,850	131,450
28% to	164,550	200,300
33% to	357,700	357,700
35% above	357,700	357,700

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www.retsource.com

deanco@retsourcem.com