


**FISCAL YEAR 401(K) PLAN TESTING
ALONG WITH CATCH UP
CONTRIBUTIONS**


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November 1, 2007



**Calendar Year Limit
Code Section 402(g)(1)
Salary Reduction Contribution Limits**

Maximum Deferral – limit as defined in the code for salary reduction contributions


- 2008 402(g)(1) limit – \$15,500
- 2007 402(g)(1) limit – \$15,500
- 2006 402(g)(1) limit - \$15,000
- 2005 402(g)(1) limit - \$14,000



**Calendar Year Limit
Code Section 414(v)(2)(B)(i)
Catch-up Limit (age 50 & older)**


Maximum Catch up – 414(v)(2)(B)(i)- limit as defined in the code for catch up contributions.

- 2008 414(v)(2)(B)(i) limit - \$5,000
- 2007 414(v)(2)(B)(i) limit - \$5,000
- 2006 414(v)(2)(B)(i) limit - \$5,000
- 2005 414(v)(2)(B)(i) limit - \$4,000

 **Calendar Year Limit
415 (c)(1)(a) Limit**


Maximum 415 (c)(1)(A) Limit - as defined in the code for 415 Limits.

2008 415 (c)(1)(A) limit - \$46,000
2007 415 (c)(1)(A) limit - \$45,000
2006 415 (c)(1)(A) limit - \$44,000
2005 415 (c)(1)(A) limit - \$42,000

 **Calendar Year Limit
401(a)(17) Compensation Limit**


Maximum 401(a)(17) Limit - as defined in the code for 401(a)(17) compensation limit

2008 401(a)17 limit - \$230,000
2007 401(a)17 limit - \$225,000
2006 401(a)17 limit - \$220,000
2005 401(a)17 limit - \$210,000

 **Fiscal Year Limits**

Use Limit for Calendar Year in which your Plan Year Ends – use limits for calendar year as of the last day of the plan year for the following:


Deferral Limit – 402(g)(1) limit
Catch Up Limit – 414(v)(2)(B)(i) limit
415 Limit – 415 (c)(1)(A) limit

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Fiscal Year Plan Year Limits


Use Limit for Calendar Year in which your Plan Year Begins – use limits for calendar year as of the first day of the plan year for the following:

Compensation Limit – 401(a)(17)

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Example #1: 10/1/06-9/30/07 Plan Year Catch Up due to exceeding 402(g)(1)


- Plan is established effective 10/1/06.
- Safe Harbor plan with a matching contribution – discrimination testing is not an issue.
- Owner wants to contribute the maximum during the plan year. He can benefit under both calendar year limits since the plan year overlaps 2 calendar years.

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Example #1: (cont'd) Catch Up due to exceeding 402(g)(1)

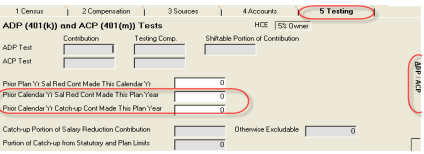
Defers \$20,000 from 10/1/06 – 12/31/06
Defers \$20,500 from 1/1/07 – 9/30/07
Total deferral during the plan year is \$40,500


What happens for the remainder of the 2007 calendar year, from 10/1/07 – 12/31/07?
What happens for the next plan year?

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Coding in DC/Win Employee | Testing | ADP/ACP


Prior Plan Yr Sal Red Cont Made This Calendar Yr
 Prior Calendar Yr Sal Red Cont Made This Plan Year
 Prior Calendar Yr Catch-Up Cont Made This Plan Year



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Example #2: 10/1/06-9/30/07 Plan Year Catch up due to failed ADP Test


- Plan is established effective 10/1/06.
- Not a Safe Harbor plan but does have a matching contribution – discrimination testing is an issue.
- Owner contributes the maximum 402(g)(1) limit during each calendar year, during this plan year, but does not make catch up contributions, even though over age 50.

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Example #2: (cont'd) Catch up due to failed ADP Test


Defers \$15,000 from 10/1/06 – 12/31/06
 Defers \$15,500 from 1/1/07 – 9/30/07
 Total deferral during the plan year is \$30,500

What happens for the remainder of the 2007 calendar year, from 10/1/07 – 12/31/07?
 What happens for the next plan year?



**Example #3: 10/1/06-9/30/07 Plan Year
Catch up due to exceeding 415(c)(1)(A)**

- Plan is established effective 10/1/06.
- Not a Safe Harbor plan but does have a matching contribution – discrimination testing is an issue
- Deferrals are made but only up to the 402(g) limit and there is an Employer Contribution being made for the plan year.



**Example #3: (cont'd)
Catch up due to exceeding 415(c)(1)(A)**

Defers \$15,000 from 10/1/06 – 12/31/06
Defers \$15,500 from 1/1/07 – 9/30/07
Total deferral during the plan year is \$30,500

What happens for the remainder of the 2007 calendar year, from 10/1/07 – 12/31/07?
What happens for the next plan year?
