

Spotlight on Employee Benefits

Provided by REDW Benefits LLC

Issue: April 2009



{ Employee Benefits Services }

REDW
The Rogoff Firm

Our dedication to you is driven by a motivation to always do what's in your best interest. Part of that includes providing you with information so you have more control of your financial future. We've chosen several topics below that we feel will be valuable to you and your associates.

Web Address Update

Over that last several months, we've been providing our clients with a direct link to their benefit plan login. The address is www.yourplanaccess.net/redw. Saving this address as your favorite will avoid disruption in your ability to log in to your account.

The EGTRRA Restatement Period is Underway

For better or worse, Congress has a habit of changing the retirement plan rules - perhaps more frequently than employers or practitioners would like. While employers are required to operate their plan in compliance with the changes as soon as they are effective, they have little choice when it comes to updating the language in their plan documents. Generally, employers are required to update the plan every five to six years, incorporating all the changes that were made since the last plan rewrite. If you're on a pre-approved prototype or volume submitter document sponsored by your service provider, you are now in another plan rewrite cycle. The industry term-of-art for a plan document rewrite is called a restatement.



The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) became effective for plan years beginning in 2002. This restatement period has been named the EGTRRA restatement period because all of the changes from EGTRRA and some other less extensive guidance must now be incorporated into plan documents. The EGTRRA restatement window began May 1, 2008 and will end on April 30, 2010. Some EGTRRA provisions that must be in your restated plan include the addition of catch-up contributions, the increase in maximum contribution limits, an increase in elective deferral limits, faster vesting, and increases in the maximum compensation considered for contributions. These provisions must already be included in all defined contribution plans; however, they are likely included as good-faith plan amendments. They must now be incorporated as part of the restated plan document.

Since each plan must now go through a restatement, this is an opportune time for employers to make any plan changes, both large and small. Changing provisions for loans, hardship withdrawals and in-service distributions may not have justified a plan overhaul in the past. However,

In This Issue

[EGTRRA Restatement Period](#)

[Tax Breaks for Workers](#)

Quick Links

[Benefit Plan Login](#)
[REDW Benefits Site](#)
[Financial Calculators](#)



REDW Services

[AUDIT & CONSULTING](#)

[BUSINESS VALUATION SERVICES](#)

[CASINO GAMING SERVICES](#)

[CONSULTING SERVICES](#)

[EMPLOYEE BENEFITS SERVICES](#)

[FORENSIC & LITIGATION SERVICES](#)

[HEALTHCARE SERVICES](#)

[INFORMATION TECHNOLOGY](#)

[SEMINAR TOPICS](#)

[SOFTWARE SERVICES](#)

[TAX SERVICES](#)

[TRIBAL SERVICES](#)

[REDW Stanley Wealth Management/ Financial Services](#)

now that the plan is being restated, this might be the right time to adjust these provisions. Employers should anticipate a charge for their plan restatement. Incorporating plan changes now may avoid additional fees for plan changes down the road.

For those of you who went through the GUST restatement several years earlier, you may recall how quickly time passes. REDW Benefits will be providing you with more information on the EGTRRA restatement process soon.

Tax Break Helps Low- and Moderate-Income Workers Save for Retirement

Low- and moderate-income workers can take steps now to save for retirement and earn a special tax credit in 2008 and the years ahead. The saver's credit helps offset part of the first \$2,000 that workers voluntarily contribute to Individual Retirement Arrangements (IRAs), 401(k) plans, and similar workplace retirement programs. Also known as the retirement savings contributions credit, the saver's credit is available in addition to any other tax savings that apply.



Eligible workers still have time to make qualifying retirement contributions and claim the saver's credit on their 2008 tax return. People have until April 15, 2009, to set up a new IRA or add money to an existing IRA and still claim credit for 2008. However, elective deferrals must be made by the end of the year to a 401(k) plan or similar workplace program, such as a 403(b) plan for employees of public schools and certain tax-exempt organizations, a governmental 457 plan for state or local government employees, and the Thrift Savings Plan for federal employees. Employees who are unable to set aside money for this year may want to schedule their 2009 contributions soon so their employer can begin withholding them in January.

The saver's credit can be claimed by:

- Married couples filing jointly with incomes up to \$53,000 in 2008 or \$55,500 in 2009;
- Heads of Household with incomes up to \$39,750 in 2008 or \$41,625 in 2009; and
- Married individuals filing separately and singles with incomes up to \$26,500 in 2008 or \$27,750 in 2009.

Like other tax credits, the saver's credit can increase a taxpayer's refund or reduce the tax owed. Though the maximum saver's credit is \$1,000 (\$2,000 for married couples), the IRS cautioned that it is often much less and, due in part to the impact of other deductions and credits, may, in fact, be zero for some taxpayers.

A taxpayer's credit amount is based on his or her filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs. Form 8880 is used to claim the saver's credit, and its instructions have details on figuring the credit correctly.

Other special rules that apply to the saver's credit include the following:

- Eligible taxpayers must be at least 18 years of age.

- Anyone claimed as a dependent on someone else's return cannot take the credit.
- A student cannot take the credit. A person enrolled as a full-time student during any part of 5 calendar months during the year is considered a student.
- Certain retirement plan distributions reduce the contribution amount used to figure the credit. For 2008, this rule applies to distributions received after 2005 and before the due date (including extensions) of the 2008 return. Form 8880 and its instructions have details on making this computation.

Begun in 2002 as a temporary provision, the saver's credit was made a permanent part of the tax code in legislation enacted in 2006. To help preserve the value of the credit, income limits are now adjusted annually to keep pace with inflation. More information about the credit may be found on www.irs.gov.

At REDW, integrity counts. We are in the business of solving problems for our clients and working with them over the long term to ensure their growth and prosperity. If you have any questions regarding the articles in this newsletter, please do not hesitate call me directly at (505) 998-3294 or toll-free at (877) 516-7339.

Sincerely,



Dennis D. Davis, Jr. SPHR, CEBS, QKA, QPA, CPC
Benefits Manager