

SpectraGram

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Roth 401(k)

Starting in 2006 401(k) plans can offer the option of Roth 401(k) contributions. If a plan allows the Roth 401(k) option, each participant in that plan can choose to designate some or all of his or her 401(k) contributions as Roth 401(k) contributions.

The IRS has not yet issued final regulations regarding the Roth 401(k). Therefore many plans are holding off allowing Roth 401(k) contributions until later in 2006. Spectra Associates has prepared a detailed description of the Roth 401(k). To get that document and any other information on the Roth 401(k), please call Kevin or Jerry.

Each year the IRS may update or change certain limits pertaining to retirement plans. Below is a summary of some of the limits for 2005 and 2006.

	2005	2006
Taxable Wage Base	\$ 90,000	\$ 94,200
*401(k) Deferral (age under 50 by 12/31)	\$ 14,000	\$ 15,000
*401(k) Deferral (age 50 or over by 12/31)	\$ 18,000	\$ 20,000
*Simple Deferral (age under 50 by 12/31)	\$ 10,000	\$ 10,000
*Simple Deferral (age 50 or over by 12/31)	\$ 12,000	\$ 12,500
*Annual Addition (Defined Contribution)	\$ 42,000	\$ 44,000
Annual Benefit (Defined Benefit)	\$170,000	\$175,000
Annual Compensation	\$210,000	\$220,000
Highly Compensated Employee	\$ 95,000	\$100,000

The limit for those items with * above is actually the lesser of 100% of pay or the dollar limit listed

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