



Traditional 401(k) Plans

WHY 401(k)?

Employee Recruitment & Retention. 401(k) plans have become one of the most popular employee benefits offered today. Because of this, it has become a very important tool in helping to recruit and retain employees.

Automatic Savings Tool. 401(k) plans offer participants an easy and systematic approach to saving. Most Americans lack the discipline needed to save money by budgeting expenses. 401(k) allows participants to pay themselves first.

Tax Savings. 401(k) plans offer significant tax savings to both employers and employees. Employers receive tax deductions for making contributions, and employee salary deferrals are made pre-tax. All plan contributions grow on a tax-deferred basis.

CONTRIBUTION OPTIONS

Employee Contributions. Employees can elect to make pre-tax salary deferrals and/or after-tax ROTH deferrals (limited to \$15,500 for 2008, \$20,500 for employees age 50 and over). A 401(k) plan can also accept rollovers from IRAs other qualified retirement plans.

Employer Contributions. Employers can elect to make tax deductible matching and/or profit sharing contributions. These contributions can be made subject to a vesting schedule that will require employees to complete up to 6 years of service before they are fully vested or own 100% of their plan account.

NON-DISCRIMINATION ISSUES

Traditional 401(k) Plans are subject to ADP/ACP nondiscrimination testing. Plans with low participation from Non-Highly Compensated Employees are at risk of failing these tests. Test failures generally require plan refunds to Highly Compensated Employees.

Traditional 401(k) Plans can also become Top Heavy when 60% of the plans assets are owned by Key Employees. Plans that become Top Heavy require employers to fund a mandatory minimum contribution to the Non-Key Employees.

A Safe Harbor 401(k) Plan design offers relief to sponsors facing nondiscrimination testing and Top Heavy issues. Please review our **Safe Harbor 401(k) Plan** section for more information.

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Key Terms in Non-Discrimination Testing

HIGHLY COMPENSATED EMPLOYEE (HCE)

An IRS term used to describe any employee that is a greater than 5% owner, certain family members of a greater than 5% owner (spouse, parent, child, or grandchild) OR any employee that received compensation in excess of \$105,000 in 2007.

ADP TEST

The non-discrimination test applied to employee 401(k) contributions. The test compares actual deferral percentage (ADP) of highly compensated employees to those of Non-HCE. In general, only a 2% point gap is allowed between the average contribution rates of HCE and Non-HCE. ADP Test failure can result in refunds to the HCE.

ACP TEST

The non-discrimination test applied to employer matching contributions. The test compares actual contribution percentages (ACP) of highly compensated employees to those of Non-HCE. In general, only a 2% point gap is allowed between the average contribution rate of HCE and Non-HCE. ACP Test failure can result in refunds to the HCE.

KEY EMPLOYEE

A DOL term used to describe any employee that is a greater than 5% owner, a greater than 1% owner with annual compensation in excess of \$150,000 or any officer receiving compensation in excess of \$150,000.

TOP HEAVY PLAN

A qualified plan is considered "Top-Heavy" if the value of the Key Employees' benefits under the plan is greater than 60% of total plan benefits. If a plan is top heavy and a key employee received a benefit under the plan, this will trigger a required top-heavy minimum employer contribution of 3% of plan compensation paid to all non-keys.

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Safe-Harbor 401(k) Plan: The Basics

INTRODUCTION

The Small Business Job Protection Act (SBJPA) gave retirement plan sponsors the ability to add safe-harbor provisions to qualified plans. Adoption of safe-harbor provisions allows 401(k) plan sponsors to avoid the actual deferral percentage (ADP) test and the actual contribution percentage (ACP) test for employer contributions. These non-discrimination tests are deemed satisfied if the employer agrees to make certain contributions of behalf of plan participants.

In other words, safe-harbor adoption will allow 401(k) participants (including Highly Compensated Employees) to defer up to the maximum IRS limit without fear of discrimination test failure.

SAFE-HARBOR CONTRIBUTION REQUIREMENTS

Employers may choose from two types of contributions to satisfy safe-harbor provisions and receive ADP/ACP test relief.

Non-Elective Contribution – Employer contributes 3% of pay for each eligible employee, without regard to whether the employee actually chooses to make 401(k) deferrals. This contribution will also satisfy the minimum contribution requirements for top-heavy plans.

Matching Contribution – Employer matches 100% of the first 3% of employee deferrals, plus 50% of the next 2% of employee deferrals. This contribution will also satisfy the minimum contribution requirements for top-heavy plans.

Participants become 100% vested in all safe-harbor contributions as soon as they are made. Safe-Harbor contributions cannot be made subject to a graded or cliff vesting schedule.

SAFE-HARBOR NOTICE REQUIREMENTS

Eligible employees must receive an annual written notice at least 30 days before the beginning of each plan year. Employees that become eligible during the plan year must receive notice before their eligibility date. InWest will prepare the employee notice.

IS SAFE-HARBOR RIGHT FOR YOUR 401(K) PLAN?

Several factors should be considered before adopting safe-harbor provisions. This guide contains a checklist designed to identify suitable plans for the 401(k) safe-harbor. If you answer yes to one or more of these questions, your plan may be a good candidate for safe-harbor. Please contact InWest Retirement Solutions at 1-800-594-7700 for more details.

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Safe-Harbor 401(k) Plan: What's New

QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT

The Pension Protection Act of 2006 will make a new version of Safe Harbor available for plan years beginning after 2007. Beginning in 2008, plan sponsors can meet Safe Harbor by including an automatic enrollment feature that satisfies the definition of a Qualified Automatic Contribution Arrangement (QACA). The requirements of a QACA are discussed below.

AUTOMATIC DEFERRAL REQUIREMENTS FOR A QACA

The automatic enrollment percentage under a QACA must be set between 3% and 10% of compensation. If the initial percentage is set at less than 6%, then the initial percentage must be no less than the following minimum percentage requirements:

- 1) 3% for the period beginning with the first automatic contribution and ending on the last day of plan year following the plan year of the first automatic contribution.
- 2) 4% during the first plan year following the period described in (1)
- 3) 5% during the second plan year following the period described in (1) and
- 4) 6% during any subsequent plan year

For example, if an employee is auto enrolled on 1/1/2008 then his minimum percentage can be set at 3% until 12/31/2009. It must then be increased to at least 4% for 2010, at least 5% for 2011 and at least 6% for 2012 and subsequent years.

Due to the administrative complexities of increasing plan deferral contributions as described above, we suggest that employers consider setting an initial automatic enrollment percentage at 6% or more.

BASIC MATCHING FORMULA REQUIREMENTS FOR A QACA

Under a QACA, the Employer matches 100% of the first 1% of compensation that is deferred by the employee plus 50% of the next 5% deferred by the employee. Thus, the maximum required match is 3.5% of compensation. This compares to maximum non-QACA safe harbor match of 4% of compensation.

VESTING REQUIREMENTS FOR A QACA

Employer matching contributions under a QACA safe harbor must be 100% vested for any employee who has completed at least 2 years of service. This compares to 100% immediate vesting of employer contributions under a non-QACA safe harbor plan.

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Safe Harbor 401(k) Suitability Checklist

If you answer yes to one or more of the following questions, then a safe-harbor 401(k) should be considered. Please contact InWest Retirement Solutions at 1-800-594-7700 for more details:

- **Does the business owner wish to make greater personal contributions into the retirement plan?**

Under a safe-harbor plan, the owner's personal plan contributions are not limited by staff contribution rates. In addition, safe harbor can be used in conjunction with other plan design features, such as new comparability, to dramatically increase owner contribution rates.

- **Is the plan failing the ADP and/or ACP test in a typical year?**

If the plan is failing its non-discrimination tests, safe-harbor will eliminate this problem.

- **Is satisfaction of the ADP/ACP test highly volatile, due, for example, to the nature of the employee population or changing nature of compensation earned?**

Even if the ADP/ACP tests are satisfied most years, the employer should look at safe-harbor to determine if the associated costs could be worth the comfort of knowing the tests are passed each year.

- **Is the employer willing to vest safe-harbor plan contributions 100% from date made?**

All safe-harbor contributions must be 100% vested when made.

- **Is the plan top-heavy (60% of plan assets owned by key employees)?**

Safe-Harbor contributions can be used to satisfy the top-heavy minimum.

- **Does the employer currently match employee salary deferrals?**

If the employer is already matching salary deferrals, safe-harbor is a smooth transition. The employer may also keep the plan's existing vesting schedule in place for pre-safe-harbor contributions.

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Safe-Harbor 401(k) Plan Illustration

Employee	Plan Comp	Traditional 401(k)				Safe-Harbor 401(k) Matching Option				Safe-Harbor 401(k) Non-Elective Option			
		EE		ER		EE		ER		EE		ER	
		Deferral	ADP	Match	ACP	Deferral	ADP	Match	ACP	Deferral	ADP	Cont	ACP
President	225,000	15,500	6.89%	6,750	3.00%	15,500	6.89%	9,000	4.00%	15,500	6.89%	6,750	3.00%
VP	120,000	15,500	12.92%	3,600	3.00%	15,500	12.92%	4,800	4.00%	15,500	12.92%	3,600	3.00%
HCE Totals	345,000	31,000	9.90%	10,350	3.00%	31,000	9.90%	13,800	4.00%	31,000	9.90%	10,350	3.00%
Staff	70,000	7,000	10.00%	2,100	3.00%	7,000	10.00%	2,800	4.00%	7,000	10.00%	2,100	3.00%
Staff	60,000	4,800	8.00%	1,800	3.00%	4,800	8.00%	2,400	4.00%	4,800	8.00%	1,800	3.00%
Staff	60,000	3,000	5.00%	1,800	3.00%	3,000	5.00%	2,400	4.00%	3,000	5.00%	1,800	3.00%
Staff	50,000	2,000	4.00%	1,500	3.00%	2,000	4.00%	1,750	3.50%	2,000	4.00%	1,500	3.00%
Staff	40,000	1,200	3.00%	1,200	3.00%	1,200	3.00%	1,200	3.00%	1,200	3.00%	1,200	3.00%
Staff	40,000	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	1,200	3.00%
Staff	30,000	900	3.00%	900	3.00%	900	3.00%	900	3.00%	900	3.00%	900	3.00%
Staff	30,000	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	900	3.00%
Staff	20,000	400	2.00%	400	2.00%	400	2.00%	400	2.00%	400	2.00%	600	3.00%
Staff	20,000	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	600	3.00%
Non-HCE Totals	420,000	19,300	3.50%	9,700	2.00%	19,300	3.50%	11,850	2.35%	19,300	3.50%	12,600	3.00%
Company Totals	765,000	50,300		20,050		50,300		25,650		50,300		22,950	

ADP Test Failure
HCE Corrective Refunds = \$12,025

ADP and ACP Passes

ADP and ACP Passes

Notes:

Highly compensated employee (HCE) defined as greater than 5% owners, certain family members of greater than 5% owners and/or employees earning over \$105,000 in 2007.

ADP Test fails with Traditional 401(k) because HCE average deferral rate of 9.90% exceeds 5.50% (Non-HCE average deferral rate 3.50% plus 2.00%).

An HCE corrective refund of \$12,025 will lower the HCE average deferral rate to 5.50% and the ADP Test is deemed to have passed.



InWest Super Safe-Harbor 401(k) Plan

The InWest Super Safe Harbor 401(k) Plan combines a Safe Harbor 401(k) Plan design along with a New Comparability Profit Sharing Plan. A Super Safe Harbor 401(k) Plan often allows the sponsor to target a certain employee (business owner) or group of employees for higher plan contributions.

SAFE HARBOR PLUS...

We typically use the Non-Elective version of Safe Harbor that requires the employer to make a 3% of pay contribution to all plan eligible employees. This contribution not only satisfies Safe Harbor requirements (allowing the Highly Compensated Employees to maximize their personal plan deferrals), it also can be used to pass the nondiscrimination testing on a New Comparability Profit Sharing allocation.

NEW COMPARABILITY PROFIT SHARING

A New Comparability allocation formula allows the sponsor to create multiple employee groupings and potentially give each group a different percentage of salary. These groupings are often determined based on job classification or title.

This design is appropriate for plan sponsors looking to affordably increase business owner or key employee contribution rates. Some sponsors use this design as an incentive plan, tying company performance goals to plan contribution rates.

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Super Safe-Harbor 401(k) Plan

Name	Annual Comp	Employee Deferral		Safe Harbor ¹ Non-Elective		Discretionary ² Profit Sharing		Employer Total		Total Contribution	
		\$	%	\$	%	\$	%	\$	%	\$	%
Owner	230,000	20,500	8.91%	6,900	3.00%	23,600	10.26%	30,500	13.26%	51,000	22.17%
Owner Totals	230,000	20,500		6,900		23,600		30,500		51,000	
Manager	120,000	15,500	12.92%	3,600	3.00%	6,000	5.00%	9,600	8.00%	25,100	20.92%
Manager Totals	120,000	15,500		3,600		6,000		9,600		25,100	
Staff	45,000	1,350	3.00%	1,350	3.00%	639	1.42%	1,989	4.42%	3,339	7.42%
Staff	40,000	1,200	3.00%	1,200	3.00%	568	1.42%	1,768	4.42%	2,968	7.42%
Staff	35,000	1,050	3.00%	1,050	3.00%	497	1.42%	1,547	4.42%	2,597	7.42%
Staff	35,000	1,050	3.00%	1,050	3.00%	497	1.42%	1,547	4.42%	2,597	7.42%
Staff	25,000	-	0.00%	750	3.00%	355	1.42%	1,105	4.42%	1,105	4.42%
Staff	25,000	-	0.00%	750	3.00%	355	1.42%	1,105	4.42%	1,105	4.42%
Staff	25,000	-	0.00%	750	3.00%	355	1.42%	1,105	4.42%	1,105	4.42%
Staff	20,000	-	0.00%	600	3.00%	284	1.42%	884	4.42%	884	4.42%
Staff	20,000	-	0.00%	600	3.00%	284	1.42%	884	4.42%	884	4.42%
Staff	20,000	-	0.00%	600	3.00%	284	1.42%	884	4.42%	884	4.42%
Staff Totals	290,000	4,650		8,700		4,118		12,818		17,468	
Company Totals	640,000	40,650		19,200		33,718		52,918		93,568	
Contribution to Owners/Manager								40,100	75.8%	76,100	81.3%
Contribution to Staff								12,818	24.2%	17,468	18.7%

Notes:

- (1) Safe Harbor Non-Elective contribution equals 3% of eligible compensation. Contribution must be made 100% vested at all times.
- (2) Discretionary profit sharing contribution cross-tested to achieve maximum allocation rate disparity between Owners and Staff.
Contribution can be made subject to a vesting schedule.



Profit Sharing Plans

Profit Sharing Plans differ from 401(k) plans in that all contributions are employer funded. Profit Sharing Plans offer the following key benefits:

Discretionary Contributions. The plan sponsor can decide how much to contribute to the plan, from zero up to 25% of a participant's salary each year.

Tax Benefits. Employers receive tax deductions for contributions made to the plan.

Vesting of Contributions. Employers can require participants to complete up to 6 years of service before they become 100% vested or own 100% of their plan account.

ALLOCATION METHODS

Contributions to Profit Sharing Plans are allocated to or divided among participants using an allocation formula stated in the plan document. The most common allocation methods are listed below:

Salary Proportional. Contributions are allocated in proportion to a participant's salary. Because every participant receives a uniform percentage of their salary, this allocation formula automatically satisfies nondiscrimination requirements.

Integrated. Contributions are allocated in proportion to salary, with an additional allocation to participants whose earnings exceed the Social Security Tax Wage Base (\$97,500 for 2007). This allocation formula automatically satisfies nondiscrimination requirements.

New Comparability. A new comparability allocation formula allows the sponsor to create multiple employee groupings and potentially give each group a different percentage of salary. These groupings are often determined based on job classification or title. A new comparability allocation requires special nondiscrimination testing each year.

This design is appropriate for plan sponsors looking to affordably increase business owner or key employee contribution rates. Some sponsors use this design as an incentive plan, tying company performance goals to plan contribution rates.

New comparability is often a great addition to an existing Safe-Harbor 401(k) Plan. Please see our **Super Safe-Harbor 401(k)** section for more information about pairing a 401(k) with New Comparability.

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Profit Sharing Plan Comparison

Employee Name	Plan Comp	Salary Proportional		Integrated		New Comparability	
		\$	%	\$	%	\$	%
Owner	225,000	27,511	12.23%	31,281	13.90%	45,000	20.00%
Owner Totals	225,000	27,511		31,281		45,000	
Manager	120,000	14,673	12.23%	14,090	11.74%	12,000	10.00%
Manager Totals	120,000	14,673		14,090		12,000	
Staff	35,000	4,280	12.23%	3,735	10.67%	1,750	5.00%
Staff	35,000	4,280	12.23%	3,735	10.67%	1,750	5.00%
Staff	25,000	3,057	12.23%	2,668	10.67%	1,250	5.00%
Staff	25,000	3,057	12.23%	2,668	10.67%	1,250	5.00%
Staff	25,000	3,057	12.23%	2,668	10.67%	1,250	5.00%
Staff	20,000	2,445	12.23%	2,135	10.67%	1,000	5.00%
Staff	20,000	2,445	12.23%	2,135	10.67%	1,000	5.00%
Staff	20,000	2,445	12.23%	2,135	10.67%	1,000	5.00%
Staff Totals	205,000	25,066		21,879		10,250	
Company Totals	550,000	67,250		67,250		67,250	
Contribution to Owners/Managers		42,184	62.7%	45,371	67.5%	57,000	84.8%
Contribution to Staff		25,066	37.3%	21,879	32.5%	10,250	15.2%
Est. Employer Tax Savings		23,537		23,538		23,538	
Est. After-Tax Cost of Staff Cont.		1,528		(1,658)		(13,288)	



Defined Benefit Plans

A **Defined Benefit Plan (DB plan, or DBP)** is a retirement plan that calculates the benefits for individual Participants based on formulas in the Plan Document, such as 50% of pay paid monthly starting at age 65.

A defined benefit plan defines the retirement benefit in terms of a promised benefit commencing at retirement age in a specific form (e.g., life annuity). The participant accrues that benefit under a formula prescribed by the plan. For example, the participant may accrue a fraction of the promised benefit based on his current years of participation and his expected years of participation at retirement.

In many cases, a defined benefit plan will allow annual contributions that are several times those allowed in a defined contribution plan (profit sharing, SEP, 401(k), etc.). The table below illustrates the maximum defined benefit plan contribution allowed at different ages. The table also details the minimum compensation (W-2 or Net Schedule C) required to support the maximum contribution and compares the DB maximum to the maximum profit sharing and SEP contribution levels.

Defined Benefit Plan Maximum Contribution/Minimum Compensation

Current Age	Retirement Age	Max DB Plan Contribution	Minimum W-2 Compensation	Minimum Net Sch. C Compensation	Maximum Profit Sharing Contribution using W-2	Maximum SEP Contribution using Net Sch. C
35	55	53,345	111,300	173,007	27,825	33,243
40	55	81,745	111,300	201,792	27,825	40,107
45	55	140,240	111,300	261,081	27,825	45,000
50	60	183,474	156,228	350,440	39,057	45,000
55	62	221,075	126,000	357,913	31,500	45,000
60	65	219,860	90,000	320,193	22,500	45,000
65	70	280,604	128,928	421,217	32,232	45,000

Assumptions

Table illustrates the minimum compensation needed to support the maximum allowable contribution. Assumes 5 or more years of prior service. Prior year compensation, if available, can be used to support current-year contribution. Minimum Net Schedule C compensation for Sole-Proprietors reflects gross compensation before the plan contribution and reduction for 1/2 SE tax.

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New Comparability Cash Balance Plan

OVERVIEW

A Cash Balance Plan is a type of Defined Benefit Plan. It is not an Individual Account Plan (Defined Contribution Plan) since each participant's benefits are not determined by the performance of the assets held in an individual account for that participant. However, it looks a lot like an Individual Account Plan (such as a Profit Sharing Plan) because the benefits are related to a Hypothetical Cash Balance Account. Because a Cash Balance Plan exhibits some characteristics of both Defined Benefit Plans and Defined Contribution Plans, it is often called a hybrid plan.

NEW COMPARABILITY CASH BALANCE PLANS

While most Cash Balance Plans have a uniform formula for allocating employer contributions, a New Comparability Cash Balance Plan uniquely targets specified participants (business owner and/or other key employees) for specified allocation amounts, while other employees receive a uniform allocation level. The overall allocation is chosen so that the resulting benefits pass the general nondiscrimination tests required under IRC 410(b) and 401(a)(4).

This formula structure is the same as is used for New Comparability Profit Sharing Plans. The difference is that the Cash Balance Plan is in fact a Defined Benefit Plan, and can permit much larger benefit levels than is possible under the \$46,000 Profit Sharing Plan limits.

ARE YOU A CANDIDATE FOR A CASH BALANCE PLAN?

A New Comparability Cash Balance Plan is most useful when the following criteria are met:

- The contribution/benefit goals of the employer are higher than permitted by a New Comparability Profit Sharing Plan (defined contribution plan)
- The employer desires to target owners/key employees to receive higher benefit levels than the general staff
- Targeted owners/key employees are approaching retirement age
- The staff is significantly younger than the targeted owners/key employees
- General staff contribution levels are cost-prohibitive under a Traditional Defined Benefit Plan

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New Comparability Cash Balance Plan

<u>Name</u>	<u>Annual Comp</u>	<u>Age</u>	<u>New Comparability Profit Sharing Plan</u>			<u>Traditional Defined Benefit Plan</u>			<u>New Comparability Cash Balance Plan</u>		
			<u>\$</u>	<u>% Pay</u>	<u>% Cont</u>	<u>\$</u>	<u>% Pay</u>	<u>% Cont</u>	<u>\$</u>	<u>% Pay</u>	<u>% Cont</u>
Owner	230,000	52	46,000	20.00%	86.63%	198,757	86.42%	78.83%	143,033	62.19%	89.72%
Owner Totals	230,000		46,000			198,757			143,033		
Staff	47,000	44	2,350	5.00%	4.43%	27,843	59.24%	11.04%	7,872	16.75%	4.94%
Staff	42,000	35	2,100	5.00%	3.95%	15,652	37.27%	6.21%	4,534	10.80%	2.84%
Staff	26,000	22	1,300	5.00%	2.45%	4,238	16.30%	1.68%	1,950	7.50%	1.22%
Staff	27,000	26	1,350	5.00%	2.54%	5,635	20.87%	2.24%	2,025	7.50%	1.27%
Staff Totals	142,000		7,100			53,368			16,381		
Company Totals	372,000		53,100			252,125			159,414		
	Owner Contribution		46,000	86.6%		198,757	78.8%		143,033	89.7%	
	Staff Contribution		7,100	13.4%		53,368	21.2%		16,381	10.3%	
	Total Employer Contribution		53,100			252,125			159,414		
	Est. Employer Tax Savings		18,585			88,244			55,795		
	After-Tax Cost of Staff Contribution		(11,485)			(34,876)			(39,414)		



DCDB Combination Plans

A **Defined Contribution/Defined Benefit Combination Plan** or **DCDB Combo Plan** allows the plan sponsor to offer a two-tiered approach to saving for retirement. In a DCDB Combo Plan design a retirement benefit level is established in the defined benefit plan based on age, service and/or compensation. This benefit is then coordinated or offset with an employer contribution into the defined contribution plan (401k/profit sharing plan).

This plan design can produce dramatic tax savings for the employer and allow the business owner and/or key employees to receive significant retirement benefits. This design also offers affordable staff funding costs for even large employers.

ARE YOU A CANDIDATE FOR A DCDB COMBO PLAN?

- ✓ Desire substantial tax savings
- ✓ Need to rapidly grow retirement savings
- ✓ Desire to protect assets from creditors
- ✓ Owner looking to monetize the business or create a succession plan
- ✓ Desire an affordable staff funding level (even for large employers)

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DCDB Combo Plan Illustration

Employee Name	Plan Comp	HCE	Employee Deferral		Safe Harbor ¹ Non-Elective		Employer Profit Sharing		Defined Benefit Allocation		Employer Total		Total Contribution	
			\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Owner - Age 56	230,000	Y	20,500	8.91%	-	0.00%	-	0.00%	181,438	78.89%	181,438	78.89%	201,938	87.80%
Group A Totals	230,000		20,500		-		-		181,438		181,438		201,938	
Employee - Age 36	50,000		-	0.00%	1,500	3.00%	2,250	4.50%	-	0.00%	3,750	7.50%	3,750	7.50%
Employee - Age 36	83,000		-	0.00%	2,490	3.00%	3,735	4.50%	-	0.00%	6,225	7.50%	6,225	7.50%
Employee - Age 36	47,000		-	0.00%	1,410	3.00%	2,115	4.50%	-	0.00%	3,525	7.50%	3,525	7.50%
Employee - Age 36	35,000		-	0.00%	1,050	3.00%	1,575	4.50%	-	0.00%	2,625	7.50%	2,625	7.50%
Employee - Age 36	55,000		-	0.00%	1,650	3.00%	2,475	4.50%	-	0.00%	4,125	7.50%	4,125	7.50%
Employee - Age 36	75,000		-	0.00%	2,250	3.00%	3,375	4.50%	-	0.00%	5,625	7.50%	5,625	7.50%
Employee - Age 36	70,000		-	0.00%	2,100	3.00%	3,150	4.50%	-	0.00%	5,250	7.50%	5,250	7.50%
Employee - Age 36	27,000		-	0.00%	810	3.00%	1,215	4.50%	-	0.00%	2,025	7.50%	2,025	7.50%
Employee - Age 36	52,000		-	0.00%	1,560	3.00%	2,340	4.50%	-	0.00%	3,900	7.50%	3,900	7.50%
Group B Totals	494,000		-		14,820		22,230		-		37,050		37,050	
Company Totals	724,000		20,500		14,820		22,230		181,438		218,488		238,988	
Employer Contribution			218,488						Contributions to Owners		181,438	83.0%	201,938	84.5%
Est. Employer Tax Rate			35%						Contributions to Staff		37,050	17.0%	37,050	15.5%
Employer Tax Savings			76,471						Employer Deductible Limit					
Staff Contribution (Group B)			37,050						(1) Total Employer Contribution < 25% of Plan Compensation		218,488	<	181,000	FALSE
After Tax Cost of Staff Contribution			(39,421)						(2) Employer DC Contribution < 6% of Plan Compensation		37,050	<	43,440	TRUE

Assumptions:

Eligibility equals One Year of Service with Semi-Annual plan entry dates.

Highly compensated employee (HCE) defined as greater than 5% owners, certain family members of greater than 5% owners and/or employees earning over \$105,000 in 2007.

Changing employee demographics may effect actual results. Actuarial certification will be required, and may change the results.

Notes:

(1) Safe Harbor Non-Elective contribution equals 3% of plan compensation. Contribution must be made 100% vested at all times.

Safe Harbor allows maximum HCE deferrals. Group A receives enhanced retirement benefits.



InWest Solo 401(k)

FEATURES & BENEFITS

An InWest Solo 401(k) can be established for incorporated or unincorporated businesses employing owners and spouses only (no other employees). An InWest Solo 401(k) may allow small business owners to shelter a greater portion of their income from taxation than is possible with conventional business retirement plans such as SIMPLE and SEP plans. InWest Solo 401(k) benefits include:

- Salary deferral contributions of up to the lesser of 100% of comp or \$15,500
- Catch-Up contributions of an additional \$5,000 for individuals age 50 or older
- Discretionary employer contributions of up to 25% of earned income (limited to \$46,000)
- Tax deductible / tax deferred contributions
- After-Tax ROTH 401(k) contributions
- Rollovers can be accepted
- Loans up to 50% of vested account balance

<u>COMPARISON TO SEP</u>		
	<u>Solo</u>	<u>SEP</u>
<u>Contributions</u>	<u>401(k)</u>	
401(k) Deferral	\$20,500	\$0
Employer	\$18,587	\$18,587
Total	\$39,087	\$18,587
Based on \$100,000 Net Schedule C income.		

Employers wishing to adopt an InWest Solo 401(k) should complete and return this form to InWest Retirement Solutions via e-mail mhurst@inwest.net or Toll-Free Fax 1-866-594-7700. If you have questions, please call 1-800-594-7700 Extension 605.

PLAN INFORMATION

Employer Name: _____ Date Business Commenced: _____

Plan Trustee: _____ Plan Effective Date: _____ Plan Year: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Telephone () _____ Fax () _____ E-Mail: _____

Employer Tax Id No: _____ Type of Business Entity (e.g. Corp, Sole Prop): _____

AUTHORIZATION

I authorize InWest Retirement Solutions to proceed with the setup of this retirement plan, and agree to pay the fees detailed in the Schedule of Services & Fees.

Authorized Signature _____ Date _____

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InWest Solo 401(k)

SCHEDULE OF SERVICES & FEES

Plan Installation Services (non-recurring)	\$300
• IRS Prototype Document	
Annual Administrative Services	\$300
• InWest Solo 401(k) Plan	
• Plan Covers Owners or Spouses of Owners Only	
• Employer Contribution Calculation	
Additional Services (if applicable)	
• Participant Distribution Processing	\$50
• Participant Loan Fee/Per Loan	\$100
• Form 5500-EZ Preparation (if required-over \$250,000 in plan assets)	\$200
• Follow-Up Services (re-request missing information)	\$50 per hour
Additional Services Quoted upon Request	
IRS/DOL Audit Assistance	QDRO Review/Processing
Consulting/Research	Plan Document Restatement/Amendment

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www.inwest.net



InWest SoloDB Plan

Our **Solo Defined Benefit Plan (SoloDB)** plan provides a great opportunity for owner-only businesses to accumulate a significant tax-preferred retirement account.

KEY BENEFITS

Rapid Asset Accumulation. Because a SoloDB plan can allow annual contributions in excess of \$150,000, asset accumulation can exceed \$2 million at retirement. A SoloDB plan can also be paired with our Solo 401(k) plan to form a **SoloDB(k) plan**. This allows participants to make additional discretionary contributions of up to \$34,300 in 2008.

Tax Savings. All SoloDB plan contributions are tax deductible and plan assets grow tax-deferred.

Creditor Protection. Assets in a SoloDB plan enjoy ERISA protection from creditors.

Flexible Investment Options. You and your financial advisor are free to choose the investment strategy and products that are right for you.

Economical to Set-Up and Maintain. The InWest SoloDB Plan can be set-up for 1,700 (includes plan document). The annual administration costs are \$1,700 plus \$40 per participant. To add a 401(k) feature there is an additional set-up charge of \$300 and an additional annual administration fee of \$300.

SoloDB Plan Maximum Contribution/Minimum Compensation

Current Age	Retirement Age	Max DB Plan Contribution	Minimum Compensation W-2	Minimum Compensation Net Sch. C	Maximum Profit Sharing Contribution using W-2	Maximum SEP Contribution using Net Sch. C
<u>Age</u>	<u>Age</u>	<u>Contribution</u>	<u>Compensation</u>	<u>Compensation</u>	<u>Contribution</u>	<u>Contribution</u>
40	55	81,745	111,300	201,792	27,825	40,107
45	55	140,240	111,300	261,081	27,825	45,000
50	60	183,474	156,228	350,440	39,057	45,000
55	62	221,075	126,000	357,913	31,500	45,000
60	65	219,860	90,000	320,193	22,500	45,000
65	70	280,604	128,928	421,217	32,232	45,000

Assumptions

Table illustrates the minimum compensation needed to support the maximum allowable contribution.

Minimum Net Schedule C compensation reflects gross comp before the plan contribution and reduction for ½ SE tax.

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www.inwest.net



InWest SoloDB(k) Plan

Our **SoloDB(k) Plan** allows the plan sponsor to offer a two-tiered approach to saving for retirement. The defined benefit plan provides a guaranteed retirement benefit base that can be supplemented with discretionary contributions made into a 401(k)/Profit Sharing Plan. This plan design will be attractive to sponsors that are looking for the flexibility offered in a 401(k) plan but also find the higher contribution levels possible in a DB plan attractive.

ARE YOU A CANDIDATE FOR SoloDB(k)?

- ✓ Age 40 or older
- ✓ Compensation of at least \$120,000
- ✓ Desire substantial tax savings
- ✓ Need to rapidly grow retirement savings
- ✓ Desire to contribute more than \$46,000 into a retirement plan
- ✓ Desire to protect assets from creditors
- ✓ Looking for contribution flexibility

SoloDB(k) Plan Design Illustration

Employee Name	Plan Comp	Employer DB Contribution		Projected Retirement Benefit		
		\$	%	Lump	Annual	@age
Owner - Age 56	225,000	226,827	100.81%	1,542,855	108,000	62
Company Totals	225,000	226,827				

Employee Name	Plan Comp	Employee 401(k) Deferral		Employer 401(k) Contribution	
		\$	%	\$	%
Owner - Age 56	225,000	20,500	9.11%	13,500	6.00%
Company Totals	225,000	20,500		13,500	

Total Plan Contribution	260,827
Total Employer Contribution	240,327
Est. Employer Tax Rate	35%
Est. Employer Tax Savings	84,114

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Retirement Plan Comparison Chart



Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
Basic plan type	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	IRA based	IRA based
Who generally adopts	Corporations, partnerships, limited liability companies	Sole proprietorships, partnerships, limited liability companies and corporations with no common law employees	Sole proprietorships, partnerships, limited liability companies and corporations	Sole proprietorships, partnerships, limited liability companies and corporations with 100 or fewer eligible employees	Sole proprietorships, partnerships, limited liability companies and corporations	Sole proprietorships, partnerships, and small businesses	Sole proprietorships, partnerships, limited liability companies and corporations with 100 or fewer employees
Can employer sponsor other qualified retirement plans	Yes	Yes	Yes	No	Yes	Yes	No
Who can contribute	Employee; employer contributions are optional	Employee; employer contributions are optional	Employee and employer	Employee and employer	Employer	Employer	Employee and employer
Cost index	Low to High depending upon design complexity, service model adopted and other factors	Low to Medium	Low to Medium	Low to Medium	Low to High depending upon design complexity, service model adopted and other factors	Low	Low
Maximum employee deferral contribution	The lesser of \$15,500 for 2008 (indexed for inflation each year) or 100% of compensation	The lesser of \$15,500 for 2008 (indexed for inflation each year) or 100% of compensation	The lesser of \$15,500 for 2008 (indexed for inflation each year) or 100% of compensation	The lesser of \$10,500 for 2008 (indexed for inflation each year) or 100% of compensation	None	None. Contributions are generally by Employer only	The lesser of \$10,500 for 2008 (indexed for inflation each year) or 100% of compensation

Retirement Plan Comparison Chart



Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
Employer contributions	Discretionary; maximum tax-deductible employer contribution is 25% of eligible payroll; overall maximum contribution per eligible employee is 100% of compensation not to exceed \$46,000	Discretionary; maximum tax-deductible employer contribution is 25% of eligible payroll; overall maximum contribution per eligible employee is 100% of compensation not to exceed \$46,000	Required match of 100% on the first 3% of employee deferral plus 50% on the next 2% of employee deferral OR 3% of compensation to all eligible employees	Required match of 100% up to 3% of employee's compensation OR 2% of compensation to all eligible employees	Discretionary; maximum tax-deductible employer contribution is 25% of eligible payroll; overall maximum contribution per eligible employee is 100% of compensation not to exceed \$46,000	Discretionary; cannot exceed the lesser of 25% of the employee's compensation or \$46,000	Required match of 100% up to 3% of employee's compensation (may be reduced to 1% in 2 of any 5 years) OR 2% of compensation to all eligible employees
Catch-up contributions for those age 50 and older	\$5,000 for 2008 (indexed for inflation each year)	\$5,000 for 2008 (indexed for inflation each year)	\$5,000 for 2008 (indexed for inflation each year)	\$2,500 for 2008 (indexed for inflation each year)	N/A	N/A	\$2,500 for 2008 (indexed for inflation each year)
Employee eligibility	Age requirement cannot exceed 21; service requirement can't exceed one year; may exclude union employees	Age requirements cannot exceed 21; service requirements can't exceed one year	Age requirement cannot exceed 21; service requirement can't exceed one year; may exclude union employees	Age requirement cannot exceed 21; service requirement can't exceed one year; may exclude union employees	Age requirement cannot exceed 21; service requirement can't exceed one year; two years if 100% vested; may exclude union employees	Age requirement cannot exceed 21; have earned compensation in three of the past five years; received compensation of at least \$500; may exclude union employees	All employees earning \$5,000 for any past two years and is expected to do so in current year; no age limit permitted; may exclude union employees
Who directs investments	Employer/Trustee or plan may allow individual direction	Individual	Employer/Trustee or plan may allow individual direction	Individual	Employer/Trustee or plan may allow individual direction	Individual	Individual
IRS reporting by employer	Form 5500	Form 5500-EZ when plan assets reach \$100,000	Form 5500	Form 5500	Form 5500	None	None

Retirement Plan Comparison Chart



Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
Establishment deadline	By the last day of the plan year for which the plan is effective	By the last day of the plan year for which the plan is effective	Any date between January 1 and October 1; may not have an effective date that is before the date plan actually adopted	Any date between January 1 and October 1; as soon as administratively feasible for businesses established after October 1st	By the last day of the plan year for which the plan is effective	Established by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Any date between January 1 and October 1; as soon as administratively feasible for businesses established after October 1st
Funding deadline	Employee contributions must be deposited as soon as administratively possible, but no later than 15 business days after the month in which the deferrals were made; employer contributions must be deposited by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Unincorporated businesses -- employer/employee contributions: by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken; incorporated businesses -- employer contributions: by tax-filing date plus extensions and employee contributions must be deposited as soon as administratively possible, but no later than 15 business days after the month in which the deferrals were made	Employee contributions must be deposited as soon as administratively possible, but no later than 15 business days after the month in which the deferrals were made; employer contributions must be deposited by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Employee contributions must be deposited as soon as administratively possible, but no later than 15 business days after the month in which the deferrals were made; employer contributions must be deposited by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Contributions must be deposited by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Funded by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Employee contributions must be deposited within 30 days after the end of the month in which the amounts would otherwise have been payable to the employee in cash; employer contributions must be deposited by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken

Retirement Plan Comparison Chart



Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
When can withdrawals be taken	<p>Withdrawals can generally be made for the following reasons:</p> <ul style="list-style-type: none"> • termination of employment • disability • death • retirement • hardship <p>If taken prior to an employee reaching age 59½ may be subject to a 10% penalty;¹ withdrawals are generally considered taxable income</p>	<p>Withdrawals can generally be made for the following reasons:</p> <ul style="list-style-type: none"> • termination of employment • disability • death • retirement • hardship <p>If taken prior to an employee reaching age 59½ may be subject to a 10% penalty;¹ withdrawals are generally considered taxable income</p>	<p>Withdrawals can generally be made for the following reasons:</p> <ul style="list-style-type: none"> • termination of employment • disability • death • retirement • hardship <p>If taken prior to an employee reaching age 59½ may be subject to a 10% penalty;¹ withdrawals are generally considered taxable income</p>	<p>Withdrawals can generally be made for the following reasons:</p> <ul style="list-style-type: none"> • termination of employment • disability • death • retirement • hardship <p>If taken prior to an employee reaching age 59½ may be subject to a 10% penalty;¹ withdrawals are generally considered taxable income</p>	<p>Withdrawals can generally be made for the following reasons:</p> <ul style="list-style-type: none"> • termination of employment • disability • death • retirement • hardship <p>If taken prior to an employee reaching age 59½ may be subject to a 10% penalty;¹ withdrawals are generally considered taxable income</p>	<p>Withdrawals can be taken at any time; withdrawals taken prior to an employee reaching age 59½ may be subject to IRS penalties; withdrawals are generally considered taxable income</p>	<p>Withdrawals can be taken at any time; withdrawals taken prior to an employee reaching age 59½ and within the first 2 years of participation, may be subject to a 25% early withdrawal penalty; after 2 years, a 10% early withdrawal penalty would apply; withdrawals are generally considered taxable income</p>
Minimum vesting	Immediate on Employee Contributions; Employer contributions can be subject to vesting schedule	Immediate	Immediate	Immediate	Employer contributions can be subject to vesting schedule	Immediate	Immediate

Retirement Plan Comparison Chart



Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
Loans	Employer option	Employer option	Employer option	Employer option	Employer option	No	No
Roth Contributions Allowed	Yes ²	Yes ²	Yes ²	Yes ²	No	No	No

-
1. There is an exception to this rule which allows an employee who retires during the calendar year in which they turn 55, or later, to withdraw without penalty.
 2. This is a design option that the plan may or may not permit.

IMPORTANT NOTE: This chart is not intended as a comprehensive or detailed review of each plan type. It is intended to be general in nature. As a result, exceptions to each plan feature can exist. Be sure to consult with a professional retirement planner or consultant before you act on any information contained in this chart.



InWest Retirement Solutions partners with employers and financial advisors to design, communicate and administer retirement savings plans. We pursue innovative solutions that help our clients promote corporate objectives, control costs and give employees needed retirement income security.

OUR SERVICES

Plan Design

We recognize that every employer's objective and financial capabilities are different. We offer customized plan design services to meet the unique needs of each employer. Whether the goal is maximizing benefits for owners and key employees or employee recruitment and retention, our plan architects can build a plan to meet your needs.

Plan Installation

Our clients receive turnkey plan installation services; including plan documents prepared by experienced ERISA consultants and hands-on coordination of existing plan conversions. Our dedicated plan installation team guides you every step of the way.

Plan Communication

The effective communication of your plan is key to its success. Our communication specialists create campaigns that explain benefits in simple terms and spark enthusiasm for the plan. InWest is recognized for our customized communication efforts that both empower and educate plan participants.

Plan Administration

Responsiveness. Accuracy. Full Service. These are some of the core qualities that define us as a company and make InWest a leader in retirement plan administration. Our experience team frees you from the tedium of day-to-day plan administration.

WE SPECIALIZE IN

Retirement Plans

Traditional 401(k) Plans
Safe-Harbor 401(k) Plans
New Comparability Profit Sharing Plans
457/403(b) Plans
Owner-Only Retirement Plans
Defined Benefit Plans
New Comparability Cash Balance Plans
Defined Contribution/Defined Benefit Combo Plans

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