



Bi-Monthly Report

March - April 2006

Volume 15 Issue 2

Comparison of Contribution Amounts

Introduction

Periodically clients and advisors ask us to compare the maximum contributions that can be made to various retirement arrangements. We have often read newspaper articles which say that the maximum contribution that may be made in 2006 is \$44,000 (or \$49,000 if age 50 or older). This may not be true. The writers of these articles have completely ignored the Defined Benefit Plan as a retirement vehicle!

Comparisons

The Table which follows shows the maximum contributions that can be made in 2006 for various retirement arrangements. The defined contribution amounts assume one employee age 50 or over. The defined benefit plan amounts assume a person entering the Plan at age 59 and retiring at age 64. For a Subchapter S company, only salary may be used. Pass through dividends cannot be used as additional salary.

We will be happy to customize the Table to show comparisons for other ages or compensation amounts.

What to do

Because retirement plans are complicated, and because each type of plan has advantages and disadvantages, you should contact us to find out which arrangement(s) best meet your needs. Also contact us whenever your financial situation changes. We welcome your inquiries.

Pension Review Services
45 Executive Drive Ste 1-GL
Plainview, NY 11803-1708
Phone: (516) 349-5500 Fax: (516) 349-0015
www.pensionreviewservices.com
e-mail: info@pensionreviewservices.com

Continued on back

2006 Maximum Contributions Comparison

Sole Proprietor or Partner

Self-Employment Income before taxes*	IRA**	Profit Sharing or SEP	401(k)**	401(k)** & Profit Sharing	Defined Benefit***	401(k)** & Defined Benefit***
53,801	5,000	10,000	20,000	30,000	25,400	45,400
107,277	5,000	20,000	20,000	40,000	50,900	70,900
228,906	5,000	44,000	20,000	49,000	112,000	132,000

Corporations (Sub S and C corps)

Salary	IRA**	Profit Sharing or SEP	401(k)**	401(k)** & Profit Sharing	Defined Benefit***	401(k)** & Defined Benefit***
50,000	5,000	12,500	20,000	32,500	25,400	45,400
100,000	5,000	25,000	20,000	45,000	50,900	70,900
220,000	5,000	44,000	20,000	49,000	112,000	132,000

* Self-Employment Income before the reduction for 1/2 of the Social Security and 1/2 of the Medicare taxes.

** The IRA and 401(k) amounts include the age 50 and over catch up contributions.

*** The Defined Benefit amounts shown are for a participant entering a plan at age 59 and retiring at age 64.