

To: Clients/Advisors

From: Michael E. Callahan, FSPA, EA, CPC, MAAA
Vice President

Re: Plan Design Concepts for Year End Consideration – Case Study IV

This is the fourth newsletter in a series of plan designs that may help you in solving your tax deferral and retirement needs. We have been working on the new designs allowed due to the passage of the Pension Protection Act of 2006. These case studies provide the objectives and solutions based upon a set of facts that may remind you of your company's position or those of someone you know.

FACTS: Company currently has Profit Sharing Plan – allocated over 10% of salary per Participant in the last Plan Year. Because the Plan allowed two young employees of a related company (who were also part owners of that company) to participate in this Plan, the Plan was unable to provide a larger allocation to the owner.

OBJECTIVES: Maximize the owner's share. Provide flexibility of contributions for all other employees.

SOLUTION: Exclude two young owner-employees from Plan. Use "each Participant is a separate allocation group" language in Plan document so as to provide maximum flexibility in how company contributions are allocated to individual Participants. This allowed us to increase owners allocation from \$22,500 to \$45,000. Create a Cash Balance Plan with maximum allocation for the owner - \$133,000 and minimum for selected groups of Participants. The percentage allocation to this group was 2.8% and included approximately half of the employees.

If you are interested in pursuing a revision of your plan to expand the contributions, tax savings and retirement accumulation, please feel free to contact me at mc@pentec-inc.com or (860) 628-2555.

OVER→

| | |
|---------------------------------------|-----------|
| ER. TOTAL CONT. (W/O SAL DEF FOR HCE) | \$450,474 |
| TOTAL CONT. FOR HCE (WITH SAL DEF) | \$260,253 |
| % OF EMPLOYER CONTRIBUTION TO HCE | 57.77% |
| TOTAL ER CONT TO NHCE | \$450,474 |
| % OF ER COST TO NHCE | 100.00% |

CASE STUDY 4

VALUATION DATE October 1, 2006

| LAST NAME | DATE OF BIRTH | DATE OF HIRE | TOTAL COMP | TOTALS | BENEFIT CONT. | SHARING CONT. | DEFERRAL w/o catch up | MATCH CONT. | GROUP # |
|-----------|---------------|--------------|------------|--------|---------------|---------------|-----------------------|-------------|---------|
| | | | | 1=YES | | | | | |
| | 7/8/56 | 5/29/01 | 48797 | 0 | 0.00 | 4,855.35 | 0.00 | 0.00 | 4 |
| | 9/6/65 | 9/26/00 | 61876 | 0 | 1,732.53 | 4,226.13 | 0.00 | 0.00 | 1 |
| | 1/2/74 | 10/30/00 | 16062 | 0 | 449.72 | 1,097.00 | 0.00 | 0.00 | 1 |
| | 4/28/43 | 12/19/88 | 129320 | 1 | 0.00 | 19,398.00 | 0.00 | 0.00 | 3 |
| | 2/27/59 | 4/29/85 | 107940 | 1 | 0.00 | 16,191.00 | 0.00 | 0.00 | 3 |
| | 7/26/30 | 1/20/03 | 77177 | 0 | 0.00 | 7,679.11 | 0.00 | 0.00 | 4 |
| | 3/21/56 | 9/1/75 | 99430 | 1 | 0.00 | 14,914.50 | 0.00 | 0.00 | 3 |
| | 9/18/54 | 4/15/96 | 73580 | 0 | 0.00 | 7,321.21 | 0.00 | 0.00 | 4 |
| | 4/4/59 | 2/18/03 | 39223 | 0 | 1,098.24 | 2,678.91 | 0.00 | 0.00 | 1 |
| | 6/8/80 | 9/7/04 | 29735 | 0 | 832.59 | 2,030.93 | 0.00 | 0.00 | 1 |
| | 2/26/48 | 11/8/93 | 89080 | 0 | 0.00 | 8,863.46 | 0.00 | 0.00 | 4 |
| | 5/16/52 | 7/30/01 | 100000 | 1 | 0.00 | 15,000.00 | 0.00 | 0.00 | 3 |
| | 11/11/73 | 10/8/96 | 58672 | 0 | 1,642.81 | 4,007.28 | 0.00 | 0.00 | 1 |
| | 6/24/49 | 9/8/98 | 65410 | 0 | 0.00 | 6,508.29 | 0.00 | 0.00 | 4 |
| | 3/1/53 | 1/25/88 | 60000 | 0 | 0.00 | 5,970.01 | 0.00 | 0.00 | 4 |
| | 2/4/62 | 8/10/98 | 89080 | 0 | 2,494.24 | 6,084.17 | 0.00 | 0.00 | 1 |
| | 4/12/63 | 10/6/03 | 56486 | 0 | 1,581.61 | 3,858.00 | 0.00 | 0.00 | 1 |
| | 3/1/57 | 3/9/84 | 220000 | 1 | 133,000.00 | 45,000.00 | 0.00 | 0.00 | 2 |
| | 9/30/51 | 11/29/04 | 57740 | 0 | 0.00 | 5,745.13 | 0.00 | 0.00 | 4 |
| | 12/14/59 | 11/1/93 | 75880 | 0 | 2,124.64 | 5,182.61 | 0.00 | 0.00 | 1 |
| | 2/13/48 | 5/8/95 | 31580 | 0 | 0.00 | 3,142.21 | 0.00 | 0.00 | 4 |
| | 4/21/60 | 3/9/87 | 111660 | 1 | 0.00 | 16,749.00 | 0.00 | 0.00 | 3 |
| | 10/25/28 | 10/8/84 | 53180 | 0 | 0.00 | 5,291.41 | 0.00 | 0.00 | 4 |
| | 7/7/72 | 6/1/94 | 57382 | 0 | 1,606.71 | 3,919.22 | 0.00 | 0.00 | 1 |
| | 3/22/59 | 9/8/97 | 80180 | 0 | 2,245.04 | 5,476.30 | 0.00 | 0.00 | 1 |
| | 5/25/59 | 11/18/02 | 54527 | 0 | 1,526.76 | 3,724.21 | 0.00 | 0.00 | 1 |
| | 1/29/58 | 1/3/00 | 55254 | 0 | 1,547.11 | 3,773.85 | 0.00 | 0.00 | 1 |
| | 3/12/61 | 9/1/01 | 62689 | 0 | 1,755.30 | 4,281.67 | 0.00 | 0.00 | 1 |
| | 11/12/46 | 11/30/04 | 56125 | 0 | 0.00 | 5,584.41 | 0.00 | 0.00 | 4 |
| | 12/5/49 | 11/29/04 | 40000 | 0 | 0.00 | 3,980.00 | 0.00 | 0.00 | 4 |
| | 2/24/66 | 11/15/04 | 22464 | 0 | 628.99 | 1,534.29 | 0.00 | 0.00 | 1 |
| | 7/22/60 | 9/7/04 | 66303 | 0 | 1,856.50 | 4,528.53 | 0.00 | 0.00 | 1 |
| | 5/8/54 | 4/21/03 | 66804 | 0 | 0.00 | 6,647.02 | 0.00 | 0.00 | 4 |
| | 9/25/58 | 1/20/03 | 82277 | 0 | 0.00 | 8,186.56 | 0.00 | 0.00 | 4 |
| | 7/29/74 | 12/6/04 | 35582 | 0 | 996.30 | 2,430.25 | 0.00 | 0.00 | 1 |
| | 11/28/81 | 5/23/01 | 31681 | 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |
| | 10/26/80 | 9/22/03 | 34503 | 0 | 966.07 | 2,356.52 | 0.00 | 0.00 | 1 |
| | 10/7/50 | 6/11/03 | 94317 | 0 | 0.00 | 9,384.51 | 0.00 | 0.00 | 4 |
| | 4/23/43 | 8/9/04 | 57224 | 0 | 0.00 | 5,693.74 | 0.00 | 0.00 | 4 |
| | 7/18/65 | 8/3/04 | 36197 | 0 | 1,013.51 | 2,472.23 | 0.00 | 0.00 | 1 |
| | 11/13/57 | 9/24/03 | 56362 | 0 | 0.00 | 5,608.05 | 0.00 | 0.00 | 4 |
| | 2/2/57 | 3/1/99 | 17750 | 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0 |