

**RETIREMENT PLANNING & EMPLOYEE BENEFITS FOR FINANCIAL PLANNERS
4TH EDITION UPDATES**

CHAPTER 10

Example 10.9, page 505

Robby has worked for New York City for the last 20 years. He deferred \$10,000 into his 457(b) plan for 2006. His normal retirement age, as defined under New York City's 457(b) plan, will be 2011. Robby has a prior unused maximum deferral amount of \$35,000 as of December 31, 2007. How much can Robby contribute as his final three-year catch-up contributions and when?

Robby can contribute "final 3-year" catch-up contributions of up to \$15,500 in 2008, up to \$16,000[†] in 2009, and up to \$4,000 in 2010. He is limited to \$3,500 in 2010 because his prior unused maximum deferral amount of \$35,000 has been exhausted ($\$35,000 - \$15,500 - \$16,000^{\dagger} - \$3,500 = 0$). Notice, during the three years prior to his normal retirement age (2011) of 2008, 2009, and 2010, Robby could also defer up to the regular elective deferral contribution limits.

Example 10.10, page 507

Mike, age 35, works for the State of California. The State of California offers a 403(b) and a 457 (b) plan to its employees. What is the maximum amount that Mike can defer into both plans in 2009? The answer is \$32,000, \$16,000[†] into the 457(b) and another \$16,000[†] into the 403(b).

Multiple Choice #1, page 514

1. Kim Cat, age 42, earns \$230,000 annually as an employee for CTM, Inc. Her employer sponsors a SIMPLE retirement plan and matches all employee contributions made to the plan dollar-for-dollar up to 3% of covered compensation. What is the maximum contribution (employer and employee) that can be made to Kim's SIMPLE account in 2008?
 - a. \$10,500.
 - b. \$12,000.
 - c. \$17,400.
 - d. \$20,000.

The correct answer is c.

The maximum total contribution is \$17,400. (\$10,500 maximum employee contribution for 2008 + \$6,900 employer match). The maximum employee contribution for 2008 is \$10,500. The employer has chosen to make matching contributions up to 3% of compensation (the SIMPLE maximum). Therefore, the employer can make a contribution of up to \$6,900 (\$230,000 compensation x 3%).

Multiple Choice #6, page 515

6. What is the maximum employee elective deferral contribution (salary reduction) for an employee who is 45 years old under a 403(b) plan in 2008?
- a. \$9,000.
 - b. \$11,000.
 - c. \$15,500.
 - d. \$20,500.

The correct answer is c.

The salary reduction for 2008 is \$15,500. An additional catch-up contribution of \$5,000 is allowed for individuals who have attained age 50.