



BDO Seidman, LLP
Accountants and Consultants

Compensation and Human Capital Consulting and ERISA Consulting News

2009 Retirement Plan Cost of Living Adjustments

The 2009 cost-of-living adjustments to the dollar limitations for qualified retirement plans and other items for the 2009 Tax Year, by both the Internal Revenue Service and the Social Security Administration have been updated. The increases/limitations in the qualified retirement plans and social security taxable wage and rates will impact the amount that can be contributed to a qualified retirement plan. Below is a recap of the limits.

Plan Limit	2008	2009
Maximum Elective 401(k) and 401(b) Contribution	\$15,500	\$16,500
Maximum Elective Deferral Catch-Up Contribution (for age 50+)	\$5,000	\$5,500
Maximum Elective SIMPLE Contribution	\$10,500	\$11,500
Maximum Elective SIMPLE Catch-up Contribution (for age 50+)	\$2,500	\$2,500
Maximum Annual Benefit from Defined Benefit Pension Plan	\$185,000	\$195,000
Maximum Annual Addition to Defined Contribution Account	\$46,000	\$49,000
Highly Compensated Employee:		
a. 5 percent owner, including relatives	Yes	Yes
b. Any employee, exceeding dollar amount in prior year	\$105,000	\$110,000
c. Top paid 20 percent group (if elected) exceeding	\$105,000	\$110,000
Maximum Annual Compensation Limit	\$230,000	\$245,000

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Compensation and Human Capital Consulting Practice at BDO Seidman is a full-service advisory practice with extensive experience in executive compensation consulting, compliance and design.

The ERISA and Employee Benefits Practice at BDO Seidman is a full-service advisory practice with extensive experience in benefits administration and compliance.

Material discussed is meant to provide general information and should not be acted on without obtaining professional advice tailored to your firm's individual needs.

Social Security Base and Rates:

	2008	2009
Applicable to Each Employer and Employee		
OASDI Percentage	6.2%	6.2%
OASDI Wage Base	\$102,000	\$106,800
Maximum OASDI Withholding Tax	\$6,324	\$6,622
Medicare Percentage	1.45%	1.45%
Medicare Wage Base	No limit	No limit
Maximum Medicare Tax	No limit	No limit
Self-Employment Tax		
OASDI Percentage	12.4%	12.4%
OASDI Wage Base	\$102,000	\$106,800
Maximum OASDI Withholding Tax	\$12,648	\$13,243
Medicare Percentage	2.9%	2.9%
Medicare Wage Base	No limit	No limit
Maximum Medicare Tax	No limit	No limit

A self-employed individual continues to be allowed an income tax deduction for one-half of the individual's self-employment tax (both OASDI and Medicare portions).

BDO Seidman, LLP offers an experienced network of professionals to provide compensation and benefits consulting services. Our professionals focus on the development and implementation of strategic compensation and benefits arrangements for taxable and tax-exempt entities. BDO Seidman consults with these entities regarding compliance with federal tax laws, Internal Revenue Service and Department of Labor tax and regulatory reporting and disclosure requirements.

BDO Seidman, LLP offers the following Compensation and Human Capital Consulting Services:

- Compensation Philosophy Development
- Business Advisory Services
- Base Salaries
- Short-term Incentive Plan Design
- Long-term Incentive Plan Design (Stock Options, Restricted Stock, Phantom Equity, etc.)
- Director Remuneration (Retainers, Meeting Fees, Long-Term Incentives)
- Stock Ownership Guidelines
- Perquisites
- Share Utilization
- Peer Group Development
- Compliance with the SEC's Proxy Disclosure Rules
- Change-in-Control (280G) Calculations and Planning
- Employment Agreement Provision Analysis
- Excessive Compensation/Section 162(m) Compliance

- Assistance with IRS Claims of Unreasonable Compensation
- Consulting on IPOs, LLCs, M&A, Partnerships, and Bankruptcy Issues

BDO Seidman, LLP offers the following ERISA and Employees Benefits Consulting and Compliance Services:

- ERISA Procedure & Compliance: Benefit Plan Audits, Form 5500 Filings & SAS 70 Reviews
- Employee Benefits Design and Administration
- Funding and Financing
- Compensation Programs: Cafeteria & Profit Sharing Plans, Fringe Benefits, ESOPs, Incentive Stock Option Plans and 401(k) Plans
- Communications Services
- Legislative Research

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