

This *Roth-it-Sharing*SM approach is unique and only available by utilizing our customized *OCPF*[®] plan document and annual consulting services

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To learn if our *OCPF*[®] and *Roth-it-Sharing*SM plan design is right for you or your clients, call the MandMarblestone Group at (215) 222-5000.

*Roth-it-Sharing*SM – Expanding the Boundaries of the 401(k) Plan

For decades business owners and high income individuals have been utilizing qualified retirement plans to shelter income from current taxation and accumulate significant savings for retirement. Beginning in 2006, the law allowed a 401(k) plan sponsor to offer its participants the option to make their 401(k) contributions on a post-tax Roth basis. While the Roth 401(k) feature was initially met with low adoption by plan sponsors and even lower utilization by participants, recent events have caused renewed interest.

Why the renewed interest?

It appears two factors are driving the groundswell of interest in Roth:

1. A growing consensus that the top federal income tax rates will rise, and perhaps rise significantly. By paying income taxes now and allowing the earnings to grow tax free, participants can effectively lock in the income tax rate at what many consider to be a historic low.
2. A realization that many business owners and higher net worth participants might never need all or a portion of their qualified plan account in retirement. While pre-tax monies will be taxed to either the participant or his or her beneficiary at some point in the future, Roth accounts can be passed on to the next generation without taxation.

So what's the problem?

For the last five years the law has allowed participants to make their 401(k) contributions on a post-tax Roth basis. The law does not allow the plan sponsor to contribute the employer matching or profit sharing contributions on a post-tax basis. For many business owners, the 401(k) deferral portion represents only about one-third of the annual amount being contributed on their behalf.

So what's the solution?

By utilizing MandMarblestone's customized *Roth-it-Sharing*SM approach to maximizing Roth contributions in a qualified plan, participants can elect to have not only their 401(k) contribution treated as a post-tax Roth contribution, but also their profit sharing and matching contributions treated as post-tax Roth contributions as they are funded. The *Roth-it-Sharing*SM approach is unique and only available by utilizing our customized *OCPF*[®] plan document and annual

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A quick example of the *Roth-it-Sharing*SM approach

A 42 year old physician and new partner in a medical practice elects to have his entire \$49,000 annual contribution (a \$16,500 401(k) contribution and a \$32,500 profit sharing contribution) treated as a post-tax Roth contribution. Assuming he will continue receiving contributions at this rate until age 67 with a 5% rate of return, he will accumulate an account balance of \$2,455,560. **However, he will only pay taxes on less than half of that amount** since \$1,230,560 represents earnings which will be distributed to him (or his beneficiary) tax free.

Who is a candidate for the *Roth-it-Sharing*SM approach?

The *Roth-it-Sharing*SM approach can be right for any 401(k) plan since all participants, regardless of age, compensation level or the amount of the annual contribution they receive, may conclude that Roth is right for them. Certainly those participants who are currently funding Roth 401(k) contributions or have recently completed a Roth IRA conversion are likely fits for the *Roth-it-Sharing*SM approach. Participants should consult with their individual tax advisors to determine if Roth contributions are right for them.

If you'd like to discuss how we might help you or any of your clients to implement our unique *Roth-it-Sharing*SM approach, call Bob Mand, Ken Marblestone, Lori Gordon, Ian Haring or Mike O'Connell at MandMarblestone. (215) 222-5000, or e-mail us at:

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