

Retirement Plan Guide

YEAR 2002
Alternative Retirement Solutions®

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	Traditional 401(k)	Profit Sharing	Money Purchase	Safe Harbor 401(k)	Simple IRA (IRS Form 5304-SIMPLE)	SEP IRA (IRS Form 5305-SEP)*	403(b) (Non-Erisa Plans)
Business Objective	Business wanting a contributory plan where Key and non-Key employees participate.	Business where profits vary year to year. Wants flexibility to change contributions annually.	Business with substantial income. Willing to commit to fixed contribution percentage every year.	Business wanting benefits of 401(k) with reduced administration. Existing plan failing ADP/ACP tests.	Business with 100 or fewer employees. Cannot currently maintain another qualified plan.	Self-employed or small businesses with variable earnings. Want minimal paperwork.	Eligible employers wishing to provide employees a tax-deductible benefit with no employer contributions.
Who Can Establish	Any business entity. (Profit, Nonprofit except Government and State agencies)	Any business entity. (Profit; Nonprofit)	Any business entity. (Profit; Nonprofit)	Any business entity. (Profit; Nonprofit except Government and State agencies)	Any business entity. (Profit; Nonprofit)	Any business entity. (Profit; Nonprofit)	Educational institutions; 501(c)(3) (i.e. charitable, religious) organizations.
Special Features	Funded with pre-tax employee deferrals. May include flexible employer matching contributions.	Annual discretionary employer contributions	Annual mandatory employer contributions. May be paired with Profit Sharing.	Safe Harbor rules allow plan to pass discrimination tests. Mandatory employer contributions. May allow owner to make larger salary deferrals than with a traditional 401(k).	No Government reporting or discrimination tests. No employer set-up or administration fee. Mandatory employer contributions.	Annual discretionary employer contributions. No Government reporting or discrimination tests. No employer set-up or administration.	Voluntary participation. Employer sets up payroll deductions. No government reporting or discrimination testing required.
Number of Employees (ARS)	Up to 250	1 to 250	1 to 250	Up to 250	1 to 100	1 to unlimited	1 to unlimited
Contributions Made By	Employee; Employer (Discretionary)	Employer only	Employer only	Employee; Employer (Mandatory)	Employee; Employer (Mandatory)	Employer only	Employee only
Employee Contribution Limit (Pre-tax)	Under age 50: up to 100% of compensation not to exceed \$11,000 Age 50 or older: up to 100% of compensation not to exceed \$12,000	Employee contributions not allowed	Employee contributions not allowed	Under age 50: up to 100% of compensation not to exceed \$11,000 Age 50 or older: up to 100% of compensation not to exceed \$12,000	Under age 50: up to 100% of compensation not to exceed \$7,000 Age 50 or older: up to 100% of compensation not to exceed \$7,500	None	Under age 50: up to 100% of compensation not to exceed \$11,000 Age 50 or older: up to 100% of compensation not to exceed \$12,000
Employer Contribution Limit (Deductible)	If made, up to 25% of total eligible payroll. (Maximum eligible compensation of \$200,000)	If made, up to 25% of total eligible payroll. (Maximum eligible compensation of \$200,000)	Up to 25% of total eligible payroll. (Maximum eligible compensation of \$200,000)	Matching - up to 4% of salary of participating employees or Non-Elective - 3% of salary of all non highly compensated eligible employees.	Matching - 100% up to 3% of salary of participating employees (can be lowered to 1% in 2 of 5 years) or Non-Elective - 2% of salary of all eligible employees.	Up to 25% of first \$200,000 of compensation or \$40,000, whichever is less.*	None
Plan Contribution Limit	Maximum allocation per participant is 100% of compensation or \$40,000, whichever is less.	Maximum allocation per participant is 100% of compensation or \$40,000, whichever is less.	Maximum allocation per participant is 100% of compensation or \$40,000, whichever is less.	Maximum allocation per participant is 100% of compensation or \$40,000, whichever is less.	Matching - \$14,000 (\$7,000 employee plus match) or Non-Elective - \$11,000 (\$7,000 employee plus 2% employer contribution subject to \$200,000 maximum compensation)	Lesser of 15% of first \$200,000 of compensation or \$30,000. Maximum allocation per participant.*	See employee contribution limit. Employees with 15+ years of service with current employer have "special elections" to increase limit.

There is no one best plan for every business.

Variable Annuities issued by:



Western Reserve Life Assurance Co. of Ohio

* SEP-IRA: There is an apparent disparity created by EGTRRA which increases the employer SEP plan deduction limit to 25%, but does not address the maximum per participant allocation limit of 15% (without being considered an excess contribution). It is anticipated that this will be addressed under a future technical corrections bill.

This guide is designed to provide an overview of employer sponsored retirement plans. It's important for business owners to select a plan that meets their specific goals and needs.



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Neither Western Reserve Life nor its representatives give legal, tax, or accounting advice. If you need such advice, consult your attorney, accountant or personal tax advisor.

Because variable annuities are designed to be long-term vehicles, liquidity needs should be considered carefully for people with limited time before retirement. Surrender charges may apply for early termination of contracts. Withdrawals prior to 59½ may be subject to a 10% penalty.

Variable annuities, as well as tax qualified retirement plans, provide tax-deferred treatment of earnings. Variable annuities, when used inside tax qualified retirement plans, provide specified benefits for the tax qualified retirement plan participant; however, they do not provide additional tax-deferred earning treatment beyond what is already provided by the tax qualified retirement plan.

Both the return and principal value of the portfolios will fluctuate and, when redeemed, may be worth more or less than the original costs. The investment options are offered within the Sub-Accounts of variable annuity contracts issued by WRL. Current prospectuses containing complete information, including all charges and expenses, can be obtained by contacting WRL. The contracts have limitations. Read the prospectuses carefully before investing.

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Deadline to Set up Plan Notices	Plan must be adopted by employer's year-end.	Plan must be adopted by employer's year-end.	Plan must be adopted by employer's year-end.	Plan must be adopted by October 1st of plan year. Annual 30-90 day notice.	Plan must be adopted by October 1st of plan year. Annual 60 day notice.	Must be established by employer's tax-filing due date plus extensions.	Plan may be established any time during calendar year.
Deadline for Plan Contributions	Employee salary deferrals made only on calendar year basis. Employers must make contributions by tax filing due date plus extensions.	Employers must make contributions by tax filing due date plus extensions.	Employers must make contributions by tax filing due date plus extensions.	Employee salary deferrals made only on calendar year basis. Employers must make contributions by tax filing due date plus extensions.	Employee salary deferrals made only on calendar year basis. Employer must make contributions by their tax filing due date plus extensions.	Employers must make contributions by tax filing due date plus extensions.	Employee salary deferrals made on calendar basis; only in respect to compensation.
Employer Tax Credit (new plans established after 12/31/01)	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Businesses with 100 employees or less may qualify for tax credit up to \$500 (equal to 50% of plan costs) for each of the first 3 years.	Not applicable
Employee Eligibility	Employer designs. Standard: One year of service, working 1000 hours and age 21.	Employer designs. Standard: One year of service, working 1000 hours and age 21.	Employer designs. Standard: One year of service, working 1000 hours and age 21.	Same as traditional 401(k) except may not condition employer safe harbor contributions on minimum hours or last day rules	Anyone who has earned at least \$5,000 in any 2 previous calendar years and is expected to in current year.	Include anyone who has worked in any 3 of the last 5 years, at least age 21 and earned \$450.	All employees
Vesting of Contributions	Employee-100% vested Employer-choice of schedules	Choice of Schedules	Choice of Schedules	100% immediately vested	100% immediately vested	100% immediately vested	100% immediately vested
Distribution Events and Required Minimum Distributions (RMD)	Death, disability, separation from service, financial hardship, plan's normal retirement age, plan termination. May defer RMD until the latest of 70½ or retirement.	Death, disability, separation from service, financial hardship, plan's normal retirement age, plan termination. May defer RMD until the latest of 70½ or retirement.	Death, disability, separation from service, financial hardship, plan's normal retirement age, plan termination. May defer RMD until the latest of 70½ or retirement.	Death, disability, separation from service, financial hardship, plan's normal retirement age, plan termination. May defer RMD until the latest of 70½ or retirement.	May take at any time. Subject to RMD that must begin at 70½.	May take at any time. Subject to RMD that must begin at 70½.	Age 59½, death, disability, separation from service, financial hardship. May defer RMD until the latest of 70½ or retirement.
Taxation & Premature Withdrawal Penalty (Federal tax, withholding & penalty)	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply. Withdrawals are generally subject to 20% withholding if not directly rolled into an IRA or qualified plan.	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply. Withdrawals are generally subject to 20% withholding if not directly rolled into an IRA or qualified plan.	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply. Withdrawals are generally subject to 20% withholding if not directly rolled into an IRA or qualified plan.	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply. Withdrawals are generally subject to 20% withholding if not directly rolled into an IRA or qualified plan.	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply (25% during 1st two years).	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply.	Subject to ordinary income tax. Prior to age 59½, 10% penalty may apply. Withdrawals are generally subject to 20% withholding if not directly rolled into an IRA or qualified plan.
Funding Product	Group Variable Annuity	Group Variable Annuity	Group Variable Annuity	Group Variable Annuity	Individual Variable Annuities	Individual Variable Annuities	Individual Variable Annuities

For non-incorporated businesses, special rules governing contributions for owners and partners may apply to some qualified plans. SIMPLE and SEP IRAs: exceptions to the 10% penalty for distributions prior to age 59½ include death, disability, substantially equal periodic payments, qualified education expenses, used for deductible medical expenses, first-time home purchase (\$10,000 lifetime cap), payment of health insurance for certain unemployed individuals, IRS levy (Section 6331). Review IRC Section 72(t) for more detailed information.