

The Legend Group's Desktop Guide for Payroll Administrators

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the Maximum Annual Contribution limits on §403(b)s and §457s starting in 2002. It also added an Over 50 Catch-up Provision for each plan type. See the tables below for the increases scheduled through 2006.

§403(b) Plans

15 Year Catch-up Provision

The Economic Growth and Tax Relief Act of 2001 did **not** make changes to the 15 Year Catch-up Provision. To qualify for this catch-up, you must have 15 years of service with your current employer AND your prior contributions cannot average more than \$5,000 per year.

The 15 Year Catch-up Provision allows you to make an additional contribution of up to \$3,000 per year, not to exceed \$15,000 over your lifetime. What this means is, if you qualify, you can contribute an additional \$3,000 for 5 years OR \$1,500 for 10 years. This catch-up can be used in conjunction with the Over 50 Catch-up Provision. Let's take a look at the combined increases:

<u>Year</u>	<u>MAC</u>	<u>Over 50</u>	<u>15 Year</u>	<u>Total</u>
2002	\$11,000	\$1,000	\$3,000	\$15,000
2003	\$12,000	\$2,000	\$3,000	\$17,000
2004	\$13,000	\$3,000	\$3,000	\$19,000
2005	\$14,000	\$4,000	\$3,000	\$21,000
2006	\$15,000	\$5,000	\$3,000	\$23,000

The Over 50 Catch-up Provision can be used in conjunction with the 15 Year Catch-up Provision.

§403(b) Plans and §457 Plans

Maximum Annual Contribution for 2002

The Maximum Annual Contribution (MAC) for 2002 is \$11,000 or 100% of compensation, whichever is less. The deferral limit of \$11,000 will increase by \$1,000 each year until 2006, increasing the MAC as follows:

<u>Year</u>	<u>MAC</u>
2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006	\$15,000

Over 50 Catch-up for 2002

The Over 50 Catch-up Provision was added to allow employees who are 50 and older to contribute an additional \$1,000 in 2002. This amount will increase by \$1,000 each year until 2006:

<u>Year</u>	<u>MAC</u>	<u>Over 50</u>	<u>Total</u>
2002	\$11,000	\$1,000	\$12,000
2003	\$12,000	\$2,000	\$14,000
2004	\$13,000	\$3,000	\$16,000
2005	\$14,000	\$4,000	\$18,000
2006	\$15,000	\$5,000	\$20,000

§457 Plans

The same Maximum Annual Contribution limits and Over 50 Catch-ups also apply to §457 plans. §457 plans also have a Retirement Catch-up provision but the Over 50 Catch-up cannot be used in conjunction with the Retirement Catch-up.

Retirement Catch-up Provision

The §457 Catch-up provision applies to the three years immediately preceding the employee's normal retirement age. The limit is the lesser of:

1. Double the normal limit for the year; or
2. The aggregate amount of contributions that the employee could have made in prior years but did not defer (this can only be calculated for years the plan has been in existence).

The maximum amounts that can be deferred using the Retirement Catch-up are as follows:

<u>Year</u>	<u>MAC</u>	<u>Retirement</u>	<u>Total</u>
2002	\$11,000	\$11,000	\$22,000
2003	\$12,000	\$12,000	\$24,000
2004	\$13,000	\$13,000	\$26,000
2005	\$14,000	\$14,000	\$28,000
2006	\$15,000	\$15,000	\$30,000

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Legend pioneered the use of mutual funds as §403(b) and §457 plan investment alternatives. Legend also introduced a unique self-directed custodial account, holding mutual funds from multiple fund families in one account. Advisory Services Corporation (ADSERV), Legend's administrative arm, specializes in high-speed transactional processing with state-of-the-art systems technology and highly skilled administrative personnel. Legend offers:

- *Flexible payroll reduction and deduction processing via our integrated billing and reconciliation systems. These systems provide for efficient transaction processing, ensuring the timely crediting of employee investment accounts.*
- *A common remitter billing system that can accommodate contributions to all investment options offered by an employer regardless of whether or not the investment option is sponsored by The Legend Group. Legend currently processes over 500,000 transactions per month on a completely confidential basis through this service.*
- *Legend is linked with many prestigious mutual fund and insurance companies, allowing for the electronic transmission of financial and account information.*
- *Stringent quality control procedures to ensure accurate records.*
- *Optical imaging allowing for electronic document storage and immediate retrieval.*
- *Disaster recovery services via IBM that enable our systems to be completely restored within 24-48 hours. Our AS/400 system is backed-up daily, and tapes are stored off-site in a secure environment (flood resistant, fire resistant, etc.) The process is tested annually as if an actual disaster had occurred.*
- *Distribution and loan administration.*
- *Secure internet access to real-time client account data via Legend AccountLink.*
- *Online access to Employer Bills allowing for changes to participant information and contributions.*

Securities offered through Legend Equities Corporation, member NASD and SIPC.

Before investing in a mutual fund, consider its investment objectives, risks, charges and expenses carefully. The prospectus, which contains this and other information about the mutual fund, can be obtained by contacting Legend Equities Corporation. Please read the prospectus before you invest or send money.

The Legend Group • 4600 East Park Drive, Suite 300, Palm Beach Gardens, FL 33410 • Phone: (561) 694-0110 • E-mail: mailbox@legendgroup.com • www.legendgroup.com