



1st Quarter 2007

Making Sense of Retirement Planning

Our clients often ask us—"What's the best way for me to save for retirement?" and, "How can I ever afford to retire?" With careful planning and a financial commitment, you really can build enough wealth for your retirement years.

We understand that choosing the right retirement plan(s) can be daunting—whether you're employed by a company, self-employed, or you're an employer providing benefits for your staff. Each plan has its advantages and disadvantages. We offer this issue of ReveNEWS as a starting point for clarifying the retirement planning options available to-day.

Employer-Provided Plans

401(k) Plan

This plan allows qualified employees to contribute to a retirement fund through tax-free salary deferral. Up to \$15,000 can be deferred with a \$5,000 "catch up" if you're over 50. Employers then offer a contribution "match" up to a certain percent. For example, X Company offers a 100% match for every dollar contributed by an employee, up to 6% of their salary. (The employee can contribute more than 6%, but the employer match limit is 6%).

Advantages: If you work for a company that offers a 401(k) matching contribution, make the most of it by deferring at least the amount that will get you the most matching funds.

- You reduce your gross income and defer tax on this amount until the cash is distributed to you.
- You can earn a guaranteed 25%, 50% or even 100% return on your investment through the employers match...plus the return you earn on the fund(s) itself.
- Loans are permitted with this plan.

Disadvantages:

- New employees usually need to wait a few months before they can participate.
- Some plans have "vesting," which requires employees to be with the company for a certain time before they're entitled to some of the employer contributions.

SIMPLE 401(k) Plan

SIMPLE, which stands for Savings Incentive Match Plan for Employees, allows small businesses with 100 or fewer employees to offer 401(k) matching contributions (up to 3%) based on contributions elected by participating employees. Or instead, a small business may elect to offer a 2% contribution to non-elective employee accounts through this plan. The primary difference between this plan and the regular 401(k) is that the deferral limit is \$10,500 with a catch up of

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Important 2006 Tax Dates

Honeck•O'Toole Needs Your 2006 Tax Information by March 19, 2007

Remember—it can take up to four weeks to complete your tax return. **Therefore, we need your tax information by March 19** to guarantee that you'll have your Federal and state returns by the April 17 deadline. (April 15 is a Sunday and April 16 is Patriot's Day. The new Emancipation Day in Washington, D.C. also means that the entire nation has until April 17 this year.)

Please send your tax organizer and tax materials right away, even if you don't have every detail. You can send remaining items to us at a later date.

If you're unable to meet this deadline, we'll file for an extension. Remember, you can extend the time to file but you cannot extend the time to pay...so you'll need to send a payment with the extension form.

5 Easy Ways to Meet Your Tax Return Deadline

- Put all tax return information in one spot (**not the waste basket**).
- Open Honeck•O'Toole's tax organizer packet (**if you can still find it**).
- Complete pages 1-8 (**or at least make sure your name and address is correct**).
- Put organizer and tax information from stack (**see step 1**) back in envelope.
- Mail to/drop off at Honeck•O'Toole, CPAs (**by March 19, 2007!**)

Electronic Filing Available For Your Returns

Honeck•O'Toole can electronically transmit both your Federal and Maine tax returns for you. If you're expecting a refund, electronic filing speeds up the process so you get your refund check approximately two weeks sooner than if you mail your return. Some special forms cannot be filed electronically. If we are completing these forms for you, we'll let you know.

IMPORTANT NOTE: We need your signed approvals to file your returns electronically. Check off the YES box next to the electronic filing question in our organizer. We'll send you the appropriate forms to sign and return to us.

Remember ... we're here to help. To quote an anonymous source, "It's not what you make, it's what you keep." That's why we're here!

\$2,500 if you're over 50.

Advantages: See the 401(k) description on page 1.

Again...take full advantage of this free money!

Disadvantages: See the 401(k) description on page 1.

Individual 401(k)

Small business owners with no employees (mainly sole proprietors) can establish a 401(k) plan with low paperwork and easy management. Contributions are based on revenue generated by the business.

Advantages: It may offer higher contribution limits than other retirement plans available for small businesses, and it offers loans, which many other small business plans do not.

Disadvantages: If you anticipate hiring staff for your business someday, you will be required to offer the same plan to all employees. So, you'll probably need to change the plan.

403(b) Tax-Sheltered Annuity Plan

This plan works like a traditional 401(k), but it's for employees of certain public schools, colleges, universities, churches, public hospitals, and other tax-exempt charitable organizations.

Advantages and Disadvantages: This plan is run very similarly to a 401(k) plan. Please review those advantages at the top of this article. It's a winner!

Simplified Employee Pension (SEP)

With this plan, employers can make contributions directly to an individual account (IRA) or an individual retirement annuity established for each eligible employee. Employers make contributions to their own IRAs and the IRAs of their employees, subject to certain percentages of pay and dollar limits. These plans have special rules and aren't tied to normal IRA contribution limits.

Advantages: This plan can be used for one-person operations or for businesses with multiple employees, to provide regular payments to a retirement fund. SEPs can be set up at just about any financial institution that offers an IRA. Plus, SEPs can be set up by the company's tax filing date, not year-end (in case you want to set one up for 2006).

Disadvantages: Contributions are immediately 100% vested, which is great for the employee but not so great for the employer when compared to vesting. That's because an employee may withdraw the amount immediately after it's deposited into the SEP IRA. In addition, SEP plans do not offer loans.

SIMPLE IRA Plan

Small businesses and self-employed individuals may choose to set up and contribute to a tax-deferral SIMPLE IRA (individual retirement account). This is different from a SEP because the individuals make the contributions, not the employer. Any employee making at least \$5,000 per year must be allowed to enter a "qualified salary reduction arrangement" and can elect to have a percentage of salary set aside in an IRA, instead of receiving it in cash.

Advantages: For the employer, contributions are a tax-deductible business expense, the plan is easy and inex-

pensive to administer, and no government reporting is required. For employees, contributions are immediately 100% vested and are tax-deferred, and 100% of earned income can be contributed (up to the allowable limit).

Disadvantages: Loans can't be taken against it.

Payroll Deduction IRA

If a small business cannot or chooses not to offer a retirement plan with employer contributions, it can allow its employees to make IRA contributions through payroll deduction, helping eligible employees save systematically.

Advantages: It's a simple way for employees to set up an IRA and save for retirement. By making regular contributions through their payroll, they can contribute smaller amounts each pay period to their IRAs, rather than having to come up with a larger amount all at once.

Disadvantages: This plan has no additional benefits for the employee (match, loans, etc.).

Profit-Sharing Plan

This plan allows an employer to make discretionary contributions to employees based on the company's performance.

Advantages: For employers, contributions don't have to be made if profits were low in a given year, and they can establish a vesting schedule. Employees can earn tax-deferred income until withdrawn, and in many cases, take a loan against the account.

Disadvantages: Withdrawals may be restricted for the employee, and investment decisions are controlled by the employer.

Individual Retirement Accounts (IRAs)

Traditional IRAs

Traditional IRAs can be set up at most banks or investment firms, and can be funded with deductible and nondeductible contributions.

You can make an annual **deductible** contribution if:

- you (and your spouse) are not enrolled in an employer-sponsored retirement plan, or
- you (or your spouse) are enrolled in an employer plan, and your modified adjusted gross income (AGI) doesn't exceed certain levels that vary from year-to-year by filing status.

These accounts are not taxed until you withdraw them.

Please see "*Withdrawal Limits*" on page 3.

You can make an annual **nondeductible** IRA contribution no matter what your employer offers or what you earn. Nondeductible contributions aren't taxed when they are withdrawn, however the earnings are taxed.

Roth IRA

If you don't qualify for a deductible IRA, you might contribute (if eligible) to a Roth IRA instead of making a nondeductible IRA contribution. You can also roll over your traditional IRA into a Roth IRA if you qualify. Why would you choose to do this? The Roth IRA can offer better tax benefits. Here are some of the reasons why.

◀ RETIREMENT PLANING continued

- Even though Roth contributions aren't tax-deductible, you can withdraw the money tax- and penalty-free at age 59½ if you had the account for at least five years. (With a traditional IRA, any pre-tax money you put in will be taxed as income when you withdraw it.)
- You may be able to make Roth IRA contributions even after age 70-1/2.
- You don't have to take minimum distributions from a Roth IRA after age 70-1/2'

Ready to Make the Most of Your Retirement Money?

Each of these plans is different and can be complicated to set up and administer. Please call us if you have questions or would like assistance in setting up a retirement plan.

Two Important Notes

Withdrawal Limitations

For most retirement plans, if you take withdrawals before you reach age 59-1/2, the amount will be fully taxed as income AND you'll pay an additional 10% penalty unless the money is used for qualified exceptions such as a home down-payment or college expenses. Please consult your accountant before you consider an "early withdrawal" from your retirement plan!

Saver's Credit

Lower-income workers might qualify for a tax credit for a percentage of their contributions. Please call us to discuss requirements for this credit.

Retirement Plan Contribution Limits

Note: The allowed contributions change nearly every year.



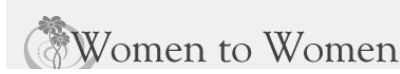
Plan Type	Contribution Limit	Tax Years
401(k)	Employer profit sharing and match: Up to 25% of compensation or \$45,000 including employee contribution Employee: 100% of compensation up to \$15,500 (\$20,500 if age 50 and older)	2007
Individual 401(k) Three options	Profit Sharing: 25% of compensation or \$45,000 Salary Deferral: 100% of compensation or \$15,000 (\$20,000 if over age 50) Combination: May not exceed \$45,000 (\$50,000 if over age 50)	2007
403(b) Tax-Sheltered Annuity	Employee: \$15,000 Age 50+ "Catch-up:" \$5,000 Lifetime "Catch-up" (for employees with 15 or more years of service): Up to \$3,000; max. lifetime limit \$15,000	2006
(SEP) IRA	25% of compensation or \$44,000 (whichever is less) 25% of compensation or \$45,000 (whichever is less)	2006 2007
SIMPLE IRA	Employer choice: Dollar-for-dollar match up to 3% of compensation, or 2% of compensation to all eligible employees Employee: 100% of compensation or \$10,500 (\$13,000 if age 50 and older)	2007
Payroll Deduction IRA	\$4,000 (\$5,000 age 50 and older)	2006, 2007
Profit-Sharing (flexible) Money Purchase (fixed)	Employer: 25% of compensation or \$44,000 25% of compensation or \$45,000	2006 2007
Traditional IRA	\$4,000 (\$5,000 age 50 and older)	2006, 2007
Roth IRA	\$4,000 (\$5,000 age 50 and older)	2006, 2007



Women to Women Healthcare Center

Yarmouth, Maine

Twenty-one years ago, one of Maine's



first all-female medical practices was founded on the premise that women should have choices for their healthcare. Now, providers Marcelle Pick, RNC, MSN, OB/GYNNP, owner; Marcy E. Holmes, RNC, MSN, WHNP; Jay Reighley, RNC, WHP; and Carrie E. Levine, CNM, MSN; carry on that philosophy. According to Donna Poulin, practice manager, "Our responsibility is to provide women with all their options for care, including traditional and non-traditional approaches. The providers here are trained in traditional medicine as well as functional medicine to focus on the root cause of a problem." For example, when a patient is suffering from migraines, the staff looks for the cause, such as the woman's cycle, hormones, diet, medications, food or environmental allergies, and stress. They keep peeling away the layers until the root cause is revealed, and then they treat that issue, not just symptoms. The practice is also unique in that it services a global community of patients. Donna said, "About five years ago, we developed an online program for women in menopause, using an e-newsletter to educate women on our unique philosophy. Through this exposure, we're now seeing patients who come in from all over the country and the world." The practice stays cutting edge, continually doing research and offering new procedures—sometimes for the first time in Maine. Donna noted, "Many women who come here finally resolve a health issue that had been a mystery before. It's incredibly gratifying to help women in this way." To reach Women to Women, call 207-846-6163 or visit www.womentowomen.com and select "Clinic Home."

Integrative Manual Therapy Associates

Frank Gentile Physical Therapy

Falmouth, Maine

Since 1998, the Frank Gentile Physical Therapy team has taken a unique approach to healing their patients. Frank Gentile, who has more than 24 years of experience, works with two other Physical Therapists, Kate Bergeron and Maureen Bourque. They all specialize in combining physical therapy with Integrative Manual Therapy to provide a total body approach to healing. Frank explained, "First, we 'map' the patients' entire body showing us all factors that contribute to pain and limitations in mobility, thus preventing them from healing or attaining their full potential. This tells us where to initiate treatment and in what sequence." The Integrative Manual Therapy approach infuses hands-on, non-aggressive soft tissue techniques to first improve a patients' potential for function and then integrate exercise as pain subsides and mobility improves. The team also combines functional medicine where appropriate, such as dietary changes, to support the healing process. The most gratifying part of their business is when they help someone improve their quality of life. "Recently, we treated an 18-year-old competitive athlete who had a potentially career-ending injury," Frank said. "According to his specialists, along with cases documented in current medical literature, this particular injury had almost no chance of healing. We treated him with Integrative Manual Therapy and developed a specific exercise program under the supervision of his school athletic trainer. After 3 months of treatments, all his symptoms disappeared. A follow-up MRI revealed his injury had actually healed. He competed on a very high level this past year, and earned all scholastic honors and a full athletic scholarship." Frank Gentile and his team can be reached at 207-781-8358.

IMPORTANT! New IRS "Age-Weighted" Provisions Help Those Nearing Retirement

New IRS rules make it possible for an employer to set up a qualified profit-sharing plan that favors older employees. An age-weighted profit-sharing plan allows employers to make flexible contributions each year, and there is no requirement that any contribution be made in a given

year. This means an employer can choose to set aside more money for older employees nearing retirement age while remaining in compliance with nondiscrimination rules. This type of plan can be helpful for businesses that want to reward older employees and for partnerships with older and younger partners. This provision can also apply to other plans that have an elective deferral component. Please call us if you'd like to learn more about this.



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INSIDE

SAVE WELL



RETIRE WELL