<u>End of 2012/Beginning 2013 Retirement Planning Strategies</u>

Defined contribution plans (401(k), 403(b), or 457) must be funded through payroll deductions. As such, to maximize them you must coordinate with your payroll department well before the end of the year. Maximum 2012 contributions are the lesser of **$17,000 or 100% of pay**. Additionally, participants in these retirement plans who are age 50 or older may be eligible for **"catch-up" contributions of an additional $5,500 per year**. *Deferral limits increase to $17,500 in 2013.*

An employee's deferral into a SIMPLE IRA or SIMPLE 401(k) also needs to be coordinated and funded before the end of the year. A **SIMPLE IRA or 401(k) is limited to the lesser of $11,500 or 100% of pay with a $2,500 catch-up** contribution. *Deferral limits increase to $12,000 for 2013.*

In 2012, individuals can put up to **$5,000** into a traditional IRA or a ROTH IRA and those age 50 or more can benefit from an additional **$1,000 "catch-up" contribution**. Although you have until April 15, 2013 to fund it—you can fund it now. *Funding limits increase to $5,500 in 2013.*

It is important to recognize that you can fully fund a 401(k), 403(b) or 457 plan **AND** an IRA each year.

Furthermore, remember that while contributions to a retirement plan can provide you with a current **income tax deduction**, the earnings from **contributions grow tax deferred** and the assets within a retirement account are **protected from your creditors**.

An additional consideration is the fact that **the income limits on an individuals ability to roll a traditional IRA into a ROTH IRA have been eliminated**. Given this, anyone should be considering transferring their traditional IRA into a ROTH or funding a traditional IRA and then converting it into a ROTH. This is a great way to hedge future tax rate increases. This is especially true in cases where you have little or no taxable income for the year.

With income tax rates increasing in 2013 it may make sense to **convert a portion of a traditional IRA to a ROTH IRA**. Although you have to pay income taxes at the time of conversion, you will never have to pay taxes on the principal or earnings going forward. Doing this prior to the end of 2012 allows an investor to lock in the lower tax brackets that expire December 31st.

As you review each of these items, please don't hesitate to call for our input, rate of return estimates or to schedule an appointment to discuss these matters, or anything else, in further detail.

Sincerely,

Dave   Warren

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

Warren Udd
CERTIFIED FINANCIAL PLANNER™

Sather Financial Group, Inc.

Comprehensive Wealth Managers

	Annual Limits				
Plan Type	**2009**	**2010**	**2011**	**2012**	**2013**
Annual Compensation Limit	$245,000	$245,000	$245,000	$250,000	**$255,000**
401(k) & 403(b) Elective Deferrals	$16,500	$16,500	$16,500	$17,000	**$17,500**
401(k) & 403(b) Over 50 Catch-up Deferral	$5,500	$5,500	$5,500	$5,500	**$5,500**
Annual Contribution Plan Limit	$49,000	$49,000	$49,000	$50,000	**$51,000**
Highly Compensation Employee	$110,000	$110,000	$110,000	$115,000	**$115,000**
IRA & Roth IRA Contributions If eligible for Roth	$5,000	$5,000	$5,000	$5,000	**$5,500**
IRA & Roth IRA Over 50 Catch-up	$1,000	$1,000	$1,000	$1,000	**$1,000**
SEP Compensation Limit	$245,000	$245,000	$245,000	$250,000	**$255,000**
SEP Annual Contribution Plan	$49,000	$49,000	$49,000	$50,000	**$51,000**
SIMPLE Plan Deferral	$11,500	$11,500	$11,500	$11,500	**$12,000**
SIMPLE Plan Over 50 Catch-up Deferral	$2,500	$2,500	$2,500	$2,500	**$2,500**
Social Security Tax Wage Base	$106,800	$106,800	$106,800	$110,100	**$113,700**
Defined Benefit Plan Benefit	$195,000	$195,000	$195,000	$200,000	**$205,000**

120 E. Constitution, Victoria, Texas 77901 (361) 570-1800