

457(b) Annual Deferral Limit Calculation Form

Use this form to calculate your annual deferral limit to your employer's 457(b) Deferred Compensation Plan (the Plan).

Generally, the Internal Revenue Code allows 457(b) plans to receive annual deferrals up to the lesser of: 1) 100 percent of includible compensation, or 2) a dollar limit set by the Internal Revenue Code. These 457(b) annual deferral limits apply to the sum of participant and employer contributions (if any). If you participate in more than one 457(b) plan (even through another employer), this annual deferral limit applies to the combined contributions to all 457(b) plans.

<u>Year</u>	<u>Dollar Limit</u>
2002	\$11,000.00
2003	\$12,000.00
2004	\$13,000.00
2005	\$14,000.00
2006	\$15,000.00
2007	\$15,500.00
2008	\$15,500.00

"Includible Compensation" is compensation for service performed for your employer, which is currently includible in gross income. This definition means that your includible compensation for a taxable year includes only compensation that is includible in your gross income for the taxable year. Thus, to arrive at includible compensation, among a few other items, gross compensation from your employer must be reduced by:

- amounts salary reduced to 403(b), 401(k), or 125 Cafeteria plans of your employer
- amounts salary reduced to 457(b) plans of your employer
- Ministers' Housing Allowance

Bottom line, you must have enough includible compensation reported in Box 1 of your W-2 to support your annual deferrals to your 457(b) plan. This is why it is generally 50 percent of your compensation before salary reduction for 457(b) (up to the dollar limit) that can be contributed to your 457(b) plan.

Catch-Up Contributions for Persons Nearing Normal Retirement Age

The annual deferral limit may increase beginning with the third year prior to the year you reach normal retirement age under the Plan. For instance, if the normal retirement age under the Plan is age 65, you may be able to increase your contributions above the annual deferral limit during the years you are age 62, 63, and 64.

During these three years you may increase your contributions to an amount that does not exceed the lesser of: 1) twice the dollar limit (\$15,500 is the dollar limit for the 2008 tax year), or 2) the sum of your annual deferral limit plus that portion of your annual deferral limit that was not used in prior years. This catch-up contribution is only helpful if you do not maximize your contributions during your years of eligibility for a 457(b) plan.

The calculation of the catch-up contribution is somewhat complex. If you were eligible to participate in an eligible 457(b) plan prior to January 1, 2002 and believe you may be eligible for this catch-up contribution, please contact GuideStone Financial Resources at **1-888-98-GUIDE** (1-888-984-8433) and ask for someone from the Compliance Department to return your call.

Calculating Annual Deferral Limit to 457(b) Plan

To determine the annual deferral limit for a 457(b) plan, start with compensation before any salary reduction contributions and subtract ONLY salary reduction contributions OTHER THAN salary reduction contributions to your 457(b) plan. Use the following examples as a guide to calculating your annual contribution limit:

Example:	A	B	Calculation:	
Compensation (before any salary reduction)	\$75,500	\$50,500	_____	Line 1
Ministers' Housing Allowance	\$20,000	\$20,000	_____	Line 2
403(b), 125 plan salary reduction and/or other non-457(b) salary reduction	<u>\$15,500</u>	<u>\$15,500</u>	=====	Line 3
Total reductions to compensation (Line 2 plus Line 3)	\$35,500	\$35,500	_____	Line 4
Compensation before salary reduction for 457(b) (Line 1 minus Line 4)	\$40,000	\$15,000	_____	Line 5
Includible compensation (Line 5) times .50	\$20,000	\$7,500	_____	Line 6
Lesser of Line 6 or \$15,500	\$15,500	\$7,500	_____	Line 7

In Example A above, \$15,500 is the annual deferral limit for all contributions to all 457(b) plans of this hypothetical participant. In Example B, \$7,500 is the annual deferral limit for all contributions to all 457(b) plans of this hypothetical participant.

If you need help with the calculation of your annual deferral limit, you may call GuideStone Financial Resources at **1-888-98-GUIDE** (1-888-984-8433) and ask to have someone from the Compliance Department return your call; fax your question(s) to 214-720-2105, Attention: Compliance Department; or email your question(s) to gscompliance@GuideStone.org

**Keep this form for your records.
Do not return this form to GuideStone Financial Resources.**