Why offer the Roth 401(k) to employees?

As mentioned earlier, adopting the Roth plan provides a tremendous chance for employees to add to their retirement savings—serving the needs of both higher income individuals and those with lower incomes. Those higher income employees who expect to continue to be in a higher tax bracket after retirement will benefit from the tax-free distribution. In addition, these are typically the same employees who are currently unable to make contributions to Roth IRA's because their income is too high.

Lower income participants who have a longer retirement horizon will benefit as they could be in a higher tax bracket at retirement and will need all the tax incentives available. Younger employees with children and buying their homes, pay relatively low rates now due to tax deductions for dependent children and home ownership. They could see these rates increase in the future.

With current tax rates at historical lows, those employees expecting them to rise in the near future would benefit from locking in today's lower rates. The advantage resides in an individual's ability to lock-in the lower tax rates of today and avoid the higher tax rates of tomorrow, thereby helping individuals exempt more of their investment earnings from taxation.

How is a Roth 401(k) plan implemented?

Due to tremendous interest and response to the Treasury Department's proposed regulations for the new Roth contributions to 401(k) plans, The Pension Specialists, Ltd. will be at the forefront in communicating necessary information and materials needed by financial professionals and plan sponsors in providing to participants a Roth 401(k) program.

The Process Schedule listed below, details the steps TPS specialists take financial professionals and plan sponsors through in order to add the Roth 401(k) to their current plan.

1. **Client Introduction Phase**
Financial professionals and TPS personnel meet with clients and advise of advantages and disadvantages.

2. **Client Enrollment Phase**
Client signs all paperwork (amend plan document and summary plan descriptions).

3. **Participant Education Phase**
Financial professional holds group communication and enrollment meetings with plan participants to distribute materials.

4. **Participant Enrollment Phase**
Plan sponsor collects all signed documentation.

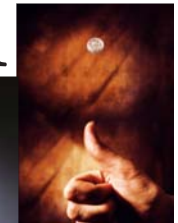
5. **Payroll Completion Phase**
Payroll departments work to withhold and properly classify contributions for submission to investment company.

What is the cost?

There is a one-time fee incurred for the implementation of document changes to an existing plan. Best of all, there is absolutely no additional ongoing costs for administration of the Roth 401(k) plan. These fees can be paid by the plan.

The Pension Specialists, Ltd. encourages all employers to offer the Roth 401(k) to its employees.

Roth 401(k)*



What is it?
What are the advantages?
Why offer it?
How is it implemented?
What is the cost?

*** NOTICE: Enclosed information also applies to 403(b) Plans.**

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The**Pension**Specialists,Ltd.

Retirement Plan Administrators.

Roth 401(k)

What is a Roth 401(k) plan?

With a Roth 401(k), income taxes are paid at participants' regular income tax rates at the time of contribution. Earnings and withdrawals will not be taxed if withdrawals begin after age 59-1/2 and if five years have elapsed from the date of the first contribution to the plan. Taxes and penalties are waived if a participant dies or is disabled. Participants must take minimum distributions beginning the year after they turn 70-1/2. A Roth 401(k) can be rolled into a Roth IRA if the participant leaves the company, relieving the participant from taking minimum distributions—a noteworthy planning option.

Plan sponsors who wish to incorporate a Qualified Roth Contribution Program into an existing or new 401(k) plan, may do so with an effective date beginning on or after January 1, 2006.

What are the advantages of offering Roth 401(k) to employees?

Adopting a Roth plan offers a tremendous opportunity for employees to add to retirement savings. Even those ineligible because of income caps for the Roth IRA can contribute to the Roth 401(k).

As with traditional 401(k), a participant can save up to $15,000 in contributions for 2006, plus another $5,000 in catch-up contributions if they turn 50 or older in that year.

By maxing out contributions for the five years under the Roth plan, an individual would have $100,000 in contributions in their Roth 401(k), having already paid the taxes on that amount. Since no taxes would be owed on qualified withdrawals, those who invested wisely would see their Roth 401(k) has grown.

Contribution Example

Let's look at the results of a 50-year-old wanting to invest $20,000 annually into a Roth 401(k) and what their total savings would be at the age of 70.

The first example reflects a regular monthly approach beginning in January 2006 and spanning five years. The second, reflects a quarterly approach contributing $5,000 on January 1, 2006, then adding $5,000 at the beginning of each quarter for the same five years.

Monthly Max Out Example:

Time Window	Monthly Contribution	*Savings
Age 55 (5 yrs later)	$1,666 / month over 5 years	$123,302
Age 70 (20 yrs later)	No additional contributions; no withdrawals	$988,443

Quarterly Max Out Example:

Time Window	Monthly Contribution	*Savings
Age 55 (5 yrs later)	$5,000 initially and $5,000 qtrly. for 5 yrs.	$131,346
Age 70 (20 yrs later)	No additional contributions; no withdrawals	$1,012,614

*Savings amounts based on an 8% annual return.

The effect would be even more dramatic for a younger person who might be making less money, but has a longer time horizon. The option of after-tax contributions and tax-free withdrawals could add considerable value to one's total retirement picture.