



MAXIMIZE A&B'S CONTRIBUTIONS TO YOUR 401(k) RETIREMENT FUND IN 2005

The New Year is just around the corner! Among your year-end tasks should be a review of your 401(k) contribution strategy for 2005. In order to make sure you get the most employer (A&B) contribution to your retirement fund, you'll want to plan ahead.

If you want to receive the full benefit of A&B's match, you must make a contribution of at least 3% of your eligible compensation each pay period during 2005. Again, only up to 3% of your contribution will be matched each pay period, even if your contribution is greater. If you usually stop withholding for a period of time, or perhaps make the maximum contribution as soon as possible, you may want to re-think that strategy.

The Savings Solutions Bulletin dated November 30, entitled "Announcing New Plan Changes for the A&B Individual Deferred Compensation Plan" has a recap of this concept. You can find it at www.flexab.com under "FlexSolution Bulletins". The maximum annual deferral limit for 2005 will be \$14,000.

Example: The following examples illustrate how various deferral percentages over various pay periods would affect the employer matching contributions you would receive for the year; they assume an annual base salary of \$50,000, at which the maximum employer match (at 3% of base salary) would be \$1,500. It's clear that more frequent, consistent deferrals result in a higher employer match.

A. Semi-monthly Payroll

Table with 4 columns: Deferral %, # of Pay Periods Required to Attain the Maximum Deferral Amt., Deferral Amount, Employer Match. Rows show percentages from 28% to 50%.

B. Bi-weekly Payroll

Table with 4 columns: Deferral %, # of Pay Periods Required to Attain the Maximum Deferral Amt., Deferral Amount, Employer Match. Rows show percentages from 28% to 50%.

**Not Good at Math?** There are two calculators set up to assist you in making the calculations that will help you attain the maximum match. The calculators are available at [www.flexab.com](http://www.flexab.com); there is one for participants who are paid semi-monthly, and one for those who are paid bi-weekly. Click on “Tools”, then “Deferral/Match Calculator”; (or click the direct link provided here: <http://www.flexab.com/tools.htm>), select the appropriate calculator and input your annual eligible compensation. The calculator will calculate the percentages of your compensation that you need to defer and the number of pay periods to maximize your deferral and employer match.

**Your Decision:** You may, of course, continue to defer the maximum amount at the beginning of the year if, for example, you believe that the return on your investment would outperform the company match. The choice is yours.

## Q&As

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*1. I don't remember being advised to spread my deferrals across all the pay periods in 2004; have I made a mistake by not doing that this year?*

No. For 2004, the Company will adjust each eligible participant's company match for the retroactive contribution (January – March). The year-end adjustment will be calculated and allocated to your account during January 2005. This was announced in Savings Solutions Bulletin dated March 9, 2004, entitled “Changes to Retirement Program. You can find it at [www.flexab.com](http://www.flexab.com).

*2. Then, why is the year-end adjustment being discontinued?*

In 2004, the matching provision was implemented in April instead of January. In order to restore the first quarter's matching dollars to participants, it was decided that adjustments be made at the end of the year.

For 2005, participants have enough time to plan their deferrals into the plan to maximize the company match. Participants are also encouraged to spread out their deferrals throughout the year to mitigate the effects of market fluctuations on the investment of their deferrals.

*3. If I cannot afford to defer the maximum \$14,000, but I do want to receive the maximum employer matching contribution, what deferral percentage should I use?*

If you wish to receive the maximum employer matching dollars, you should defer at least 3% since the company will contribute \$1 for each \$1 you defer, up to a maximum of 3% of your base salary each pay period. For example, if you contribute 5% of your base salary each pay period, only the first 3% will be matched; the other 2% will not be matched.

*4. If I receive a salary increase later in 2005, can I recalculate my deferral percentage in order to receive the maximum deferral and company match?*

- Yes. (1) Take your year-to-date 401(k) deferral (which can be found on your pay stub) subtract it from \$14,000. The difference is the remaining amount to be deferred for the year. (2) Determine your base salary to be paid for the remainder of the year based on your new salary. (3) Divide the remaining deferral amount in step (1) by your base salary to be paid for the remainder of the year in step (2). Round up to the next whole percentage.
- A new calculator is being developed to help you determine how to maximize your deferral and company match that will accommodate salary changes during the year. The calculator should be available sometime early next year.
- Call your Human Resources representative for assistance.