

# EGTRRA

(Economic Growth & Tax Relief Reconciliation Act of 2001)

EGTRRA's provisions will begin in 2002 and span 10 years. Highlights of EGTRRA as they affect 401(k) Plans are as follows:

- ▶ The annual voluntary contribution limit will increase to \$11,000 in 2002 and continue to increase in increments up to \$15,000 by 2006 as follows:

<u>Year</u>	<u>Amount</u>
2002	\$11,000
2003	\$12,000
2004	\$13,000
2005	\$14,000
2006	\$15,000

- ▶ Dollar limits for all annual contributions (voluntary employee as well as employer) will rise to the lesser of \$40,000 (up from \$35,000) or 100% of pay (up from 25%) and will be indexed each year in \$1,000 increments thereafter;
- ▶ Participants age 50 and over will be allowed to make annual "catch up" contribution of \$1,000 starting in 2002 and increasing \$1,000 per year to \$5,000 in 2006;
- ▶ Effective January 1, 2002, rollovers into the Plan from after-tax contribution accounts, such as IRAs, will be permitted;
- ▶ After a hardship withdrawal, the period of time during which a Participant is suspended from making voluntary contributions is shortened from 12 months to 6 months.