

Money Matters

Fourth Quarter, 2010

A quarterly newsletter for retirement plan participants of Union Bank & Trust Company

A Look Ahead to 2011...and Beyond

Much has been said and written over the last two-plus years about the difficult economic conditions the international community continues to grapple with. The retirement industry certainly experienced its own share of torment as the stock market rode the wave of ups and downs through this period.

As another year comes to pass, let's look ahead to what awaits us all in the coming year as it pertains to our retirement accounts.

Contribution Limits

Although not a regulation, per se, each year the IRS sets the maximum contribution limits for retirement accounts. These limits have cost-of-living adjustments built into them, so for the second year in a row there are no changes to maximum contribution amounts as we continue in this low inflationary economic environment.

Individuals may contribute up to \$16,500 to a retirement account with an additional \$5,500 available to those ages 50 or over. Including employer contributions, individuals have a maximum limit of \$49,000, as in 2010.

IRAs also have the same limits in 2011. As long as an individual has earned income to support it, you may contribute up to \$5,000 to an IRA in 2011, with an additional \$1,000 available for those ages 50 or older.

Small Business Jobs Act of 2010

On September 27, 2010, the President signed the Small Business Jobs Act to help encourage growth in the business sector. While most of the provisions within the bill do not affect retirement plans directly, there is one element directly related with the creation of In-Plan Roth Rollovers ("IPRR").

With this legislation, Plan Sponsors have the option to allow participants to move their pre-tax dollars to an after-tax Roth designated account within their retirement plan. IPRRs were added primarily as a way to generate tax revenue, and

to help businesses retain dollars in their retirement plans, as participants no longer will have to roll to a Roth IRA to accomplish this conversion from pre-tax to after-tax funds.

The decision to add the IPRR feature is a plan-by-plan decision, and each adopting plan will have wide latitude as to whom they make this option available to, so check with your benefits expert for more details on what is available to you. In general, the decision to move money from a pre-tax account to an after-tax account is one that requires serious consideration, as it comes with tax consequences. Also, an IPRR is an irrevocable election, so please consult with your tax advisor prior to making the decision.

Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010

Two weeks before the end of the year, Congress passed a tax bill that extended many of the tax cuts that were initially created during the Bush administration including the current income tax brackets. The bill has a sunset provision for the end of 2012, so tax payers are left to wonder what will happen to tax rates after that time frame.

While the tax bill has numerous implications for the retirement industry, including estate taxes and the taxation of retirement plan distributions, two features in particular are worth highlighting here. First, the bill extended through 2011 an opportunity for IRA holders to make a tax-free distribution directly to a charitable organization.

Second, a unique feature of the tax bill may provide an opportunity for retirement plan participants to increase their contribution percentage to their account. The tax bill created a one-year 2% reduction in the amount of payroll taxes paid by individuals from 6.2% to 4.2%. This will mean a direct 2% savings on an individual's take home pay. Many

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experts are suggesting this 2% savings be used as an increase to retirement account savings, especially if individuals are not currently contributing to their employer's maximum match amount. Putting the 2% tax savings into a tax-deferred retirement account now will lead to a larger base for compounding interest in retirement down the road.

Fee Disclosure Regulations

Two regulations that will take effect later in the year highlight a growing trend among lawmakers as they emphasize transparency in disclosure of fees to plan sponsors and plan participants.

The Service Provider Fee Disclosure, which takes effect July 16, 2011, will require Service Providers who expect to receive more than \$1,000 in total compensation from the plan to provide more robust disclosures of their fee structure.

The second regulation, the Participant Fee Disclosure Regulations, which take effect for Plan Years beginning after October 31, 2011 (which will result in a January 1, 2012

implementation date for most plans), are designed to allow participants to more easily understand the fees they pay, as well as fees paid by the plan, in addition to required annual comparative charts of the investments offered within the plan.

Conclusion

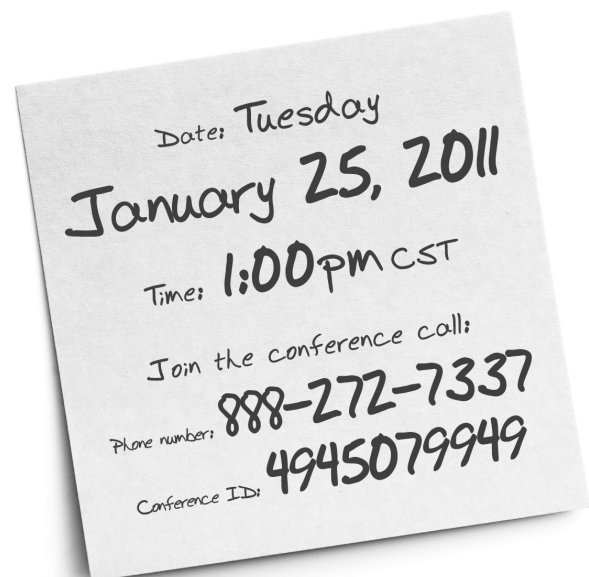
Lawmakers in Washington now seem to recognize that retirement plans, and in particular, Defined Contribution plans like 401(k)s or 403(b)s, will serve as the primary source of income for most Americans in their retirement years. Statistics certainly back this up as more and more employers move away from the traditional Defined Benefit plan, often referred to as a pension plan. Union Bank & Trust's Retirement Plan Services team is tuned in to the changes and proposed changes that continue to come out of Washington. At the same time, as individual investors and plan participants, it is equally important that you pay attention to how these changes affect your retirement goals to ensure that you understand their implications and how you can most benefit from the opportunities that exist.

Keep Up With Current Trends & Industry Info

Union Bank & Trust Retirement Plan Services offers a way for you to stay informed about current trends and topics in the retirement industry and the investment marketplace. Each quarter we will host a conference call that all participants and plan sponsors are welcome to listen in on. These short, informative calls will feature the insight of our own staff as they keep you up-to-date on the ever evolving retirement industry.

We invite you to join us for this quarterly conference call featuring an investment overview from the fourth quarter and participant education highlights.

The presentation will be conducted in a 20-minute call to give you the updates you need so you can go on about your day. We hope that you will be able to attend.



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Money Matters is a quarterly newsletter for retirement plan participants of Union Bank & Trust Company. For additional information or if you would like certain topics to be covered in this newsletter, please forward any questions or comments to: