Swerdlin & Company
Actuaries ■ Employee Benefit Consultants

The Swerdlin Quarterly

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Dorn's Corner

Servant-Leadership is a phrase coined by Robert K. Greenleaf (1904-1990). After his retirement, Greenleaf, an executive at AT&T, developed his idea of servant-leadership. Today his concepts live on through his writings and through the *Greenleaf Center for Servant-Leadership*.

How can you be a servant and a leader at the same time? This appears to be a paradox. The answer lies in one of the qualities of servant-leadership:

> *"The ability to hold ambiguity and paradox in mind, honoring all sides of an issue knowing there are always 'third and fourth right answers'."*

Regular readers of Dorn's Corner have heard about my thoughts on Newtonian/ Quantum thinking. In Newtonian thinking, everything is black or white with no room for paradoxes. Quantum thinking, however, embraces paradoxes and generates infinite shades of gray. An expert on quantum thinking, Danah Zohar says:

> *"Servant-leadership is the essence of quantum thinking and quantum leadership."*

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The New Deal

You think there's nothing new under the sun? Think again! We can combine existing plan features to create a whole new plan design. This new plan design combines:

- New comparability (cross-testing),
- Cash balance plan, and
- Defined contribution plan.

So what's in it for me? Let's say you are a 50-year-old senior partner in a law firm with defined contribution plan(s). Currently, your total annual contribution is about $26,000. This new plan design can generate $75,000 to $90,000 for your account each year!

Call us for more details.■

Beneficiary Reminder

As the baby boomers age, it's more important than ever to have current beneficiary designation information on file for all your plan participants.

Make sure the participants indicate their choice of primary and secondary beneficiaries. And, if they have designated more than one primary beneficiary, remind them that those named will share equally unless indicated otherwise.

Contingent beneficiary(ies) receive a share of the assets only if the primary beneficiary(ies) are deceased. A married participant must have a spouse's notarized consent to designate anyone other than their spouse as primary beneficiary.

Please remember a new beneficiary designation should be completed if a participant gets married, divorced or remarried.■

In This Issue . . .

Southern Staircase

Stairs ▪ Stair Trim

We're proud to present Southern Staircase, Inc. as our featured Client of the Quarter. We assisted them in the redesign of their 401(k) plan and currently provide recordkeeping and administrative services for their ESOP and 401(k) plans.

Southern Staircase, Inc. is a privately held, specialized millwork company that manufactures and distributes staircases and stair parts for residential construction. In addition, the company provides turnkey delivery and installation services for all of its products. Southern Staircase sells directly to the residential homebuilder or homeowner for a home improvement project.

Southern Staircase is known for its ability to handle the most sophisticated and complicated stair applications. They serve the high-volume builder market where supplier reliability is critical to the construction process. They have long been recognized as an innovator as well as a high-quality source for stair systems.

Founded in its current form in 1983, the company has grown from one location in Chamblee, GA to three full production and sales facilities in Alpharetta, GA, Charlotte, NC and Raleigh, NC. With sales facilities also located in Fayetteville, GA, Columbia, SC and Greensboro, NC, the company employs around 250 people and markets its products nationally.

In 1996, the Company implemented a leveraged ESOP to assist in the purchase of stock from an existing shareholder and to provide an additional benefits vehicle for employee incentive and retention. As a result of a strong Southeastern economy and the rapid growth of the company, employees have seen their accounts grow dramatically since the inception of the ESOP. The year 2000 marked a key milestone for the ESOP - the first participants became fully vested in their accounts. Congratulatory and informational meetings were held for those employees whose long service with Southern Staircase contributed to its success. There was great excitement among the new shareholders.

Southern Staircase is proud of its accomplishments in the marketplace. Although they have experienced tremendous growth over the years, Southern Staircase still views itself as a "family" business. They have fun doing what they do while providing their customers with outstanding value and excellent service.■

Good News From Washington!

The Economic Growth and Tax Reconciliation Relief Act of 2001 (EGTRRA) brings sweeping changes to retirement plan rules. These changes help both employees by encouraging increased retirement savings and employers by improving employee benefits packages. While defined benefit changes have already become effective, most of the provisions will become effective January 1, 2002.

Increased Savings Limits

401(k) Plans

The maximum 401(k) savings limit increases according to the chart to the right.

Also, 403(b) and 457 plans now mirror the new 401(k) limits.

Year	Maximum Savings Limit
2001	$10,500
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006	$15,000

Over Age 50

A new provision in the law allows participants age 50 and over to make additional catch-up contributions to 401(k) and IRA plans. These catch-up contributions are not included in the limits above. They allow people approaching retirement to make up for years when they may not have been able to save enough. Maximum catch-up contributions in 401(k) plans and IRAs are illustrated in the chart to the left.

Year	Maximum 401(k) Catch-up	Maximum IRA Catch-up
2001	-	-
2002	$1,000	$500
2003	$2,000	$500
2004	$3,000	$500
2005	$4,000	$500
2006	$5,000	$1,000

Defined Contribution Plans

For many years, additions to participant accounts (deferrals, match, profit sharing and reallocated forfeitures) have been limited to the lesser of $30,000 or 25% of pay. In 2001, the dollar limit finally increased to $35,000. Beginning in 2002, the limit increases to the lesser of $40,000 or 100% of pay.

Defined Benefit Plans

For plan years beginning after January 1, 2001, the maximum annual benefit you can receive is increased from $140,000 to $160,000. The law no longer requires actuarial reductions to the dollar limit for retirement as early as age 62.

To assure adequate funding for defined benefit plans, Congress also removed some of the funding and deduction limits under current law. Before year end, it's important to determine the impact of these law changes on your current defined benefit plan or if you are thinking about establishing a new plan. Call us today if we can help.

Tax Deductions & Cost Savings

Not only can employees receive greater benefits under the new law, but employers also receive greater flexibility and increased tax savings.

The tax deduction limit for profit sharing plans, including S-corporation ESOPs, increases from 15% of pay to 25% of pay. Additionally, employee 401(k) contributions will no longer count toward an employer's deduction limit. Previously, employee 401(k) and company contributions were added together to determine the maximum tax deduction. Under the new rules, the employer can deduct the full 25% contribution in addition to the employee 401(k) contributions.

Also expanded is the dividend deduction rule. If dividends are issued to employee-owners in an ESOP, they may elect to reinvest those dividends in additional employer stock. Previously, dividends were only deductible if they were paid directly to participants or paid to the ESOP and distributed to participants not later than 90 days after the close of the plan year.

What else is there? To encourage new plans, businesses with less than 100 employees will be eligible for a tax credit of up to $1,000 of administrative costs during the first three years. Also, between 2002 and 2006, tax credits are available to lower income participants who begin or increase savings.

Other Improvements

Higher Pay Limit

Many retirement plan limitations are based on an employee's compensation. In 2002, the maximum pay used for determining retirement plan benefits increases from $170,000 to $200,000. This serves to increase the deduction and contribution amounts.

(Continued on page 4)

Good News From Washington!

(Continued from page 3)

Vesting

In order to encourage participation in 401(k) plans, vesting schedules for matching contributions have been shortened. Maximum vesting schedules are:

- 3-year cliff schedule - 100% vesting after 3 years of service, or
- 6-year graded schedule - 20% vesting after 2 years of service with an additional 20% vesting each year until after 6 years when the participant is 100% vested.

Please keep in mind, this provision applies only for matching contributions. Profit sharing contributions can remain on a 5-year cliff schedule or a 7-year graded schedule.

Roth-Like Contributions

Beginning in 2006, sponsors of 401(k) and 403(b) plans may expand their plans to allow employees to have deferrals treated similarly to Roth IRA contributions.

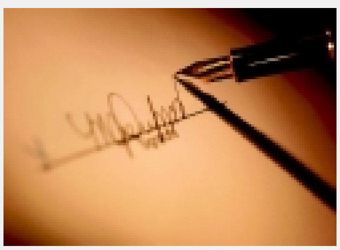
Top Heavy Plans

A top heavy plan is a plan in which 60% of the benefits belong to "key employees." EGTRRA simplifies the definition of a key employee. Under the new rules, an employee is key if, during the prior year, the employee was:

- An officer of the company who earned over $130,000,
- A five percent owner, or
- A one percent owner with compensation in excess of $150,000.

In determining if a plan is top heavy, the period to track distributions is reduced from four prior years to only one year.

The 2001 tax bill provides many opportunities for increasing retirement savings. This is good news for all of us. Defined benefit provisions have already become effective and most other rules are effective in less than 6 months. Please call us if you would like to discuss how the new rules might help improve your plan.■



GUST Restatements

Remember, if you have a custom designed plan written by your attorney, it must be restated and signed by the end of 2001. The restatement date for employers utilizing a prototype or volume submitter document will be in 2002 or later.

Dorn's Corner

(Continued from page 1)

Some other qualities of servant-leadership include the following:

- Leaders are first a servant to those they lead. They are a teacher, a source of information, and a standard-setter, more than a giver of directions and a disciplinarian.
- Leaders are people builders. They help those under them to grow "big." The leader realizes the more "big" people an organization has, the stronger it will be.
- Leaders have faith in people and they believe in them. They find that others rise to their higher expectations.
- Leaders see things whole, sensing relationships and connections.

At Swerdlin & Company, our vision and mission statements (see page 6) reflect many of these servant-leadership qualities, and through our Continuous Improvement process we are working to assure we live true to these values.■

Tired of Playing Tug-of-War With the IRS?

Are you a self-employed individual looking to retire within 15 years? If so, you should consider DBboomer, Swerdlin & Company's defined benefit pension plan.

With DBboomer, you can have a significant tax deduction while quickly building up a large sum of money for your retirement.

The laws keep changing in your favor. It is a prime opportunity to capitalize on this type of retirement plan.

Call us for more details.■

Be Sure It's OK to Pay

A 401(k) plan is a valuable benefit allowing significant tax advantages. The primary objective is to encourage employees to save for retirement. In return for the tax advantages given to participants in 401(k) plans, the IRS imposes limitations on when the participants can access their funds.

How often do you hear "I want the money out of my 401(k) account?" Many employees don't realize their contributions to 401(k) plans may only be withdrawn for certain events as described below:

- Retirement.
- Termination of employment.
- Total and permanent disability.
- Distribution to beneficiary upon death of plan participant.
- Proven financial hardship if permitted by the plan.
- At Age 59½, participants can withdraw from their accounts while still employed, if the plan allows.
- Plan termination.

Effective January 1, 2002, if your company is acquired and the "Same Desk" rule applies, you will be able to distribute the participants' accounts.■

FAQ?

Q Our small plan assets include land, buildings, and some diamonds. Will I be required to have an independent audit next year even if I have obtained current appraisal on all the property?

A It depends. In the past, an audit was required only if the plan had more than 100 participants at the beginning of the plan year. Effective for plan years beginning after April 17, 2001, the new regulations require an independent audit report be filed with the Form 5500 if the plan contains certain assets. For example, if your plan year ends July 31, 2001, the first audit will be required as of July 31, 2002; for a calendar year plan, the first audit will be required as of December 31, 2002. It's not too soon to review your investments in light of this requirement, and to select your auditor.■

What's Happenin'

We are pleased to announce the following promotions:

- Jaynie Cormier to Senior Actuarial Analyst
- Melodi Kline to Actuarial Analyst
- Amy Murphy to Accounts Receivable Assistant
- Cynthia Navan to Accounts Receivable Manager
- Randy Pflueger to IT Manager

We want to extend our best wishes to Jennifer Gregory and Jonathan Sharrow who were married June 2; to Trey Stephens who married Cristina Gheorghiu August 18; and to Alma Pereria who married Donald Bleyl on August 11.

Congratulations to Cathy Ryan for earning her CPR and Red Cross First Aid certification and to Trey Stephens for receiving the QKA (Qualified 401(k) Administrator) certification from the American Society of Pension Actuaries.

Anniversaries recently celebrated:

- Jaynie Cormier - 15 years
- Adam Pozek and Stephanie Davis - 5 years

Join us in welcoming 4 new employees (from left to right): Raye Suss, John Colvard, Adam Stone, and Alma Pereira.■

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Give us a call to discuss how we can help you make the most of your employee benefit program.
(770) 396-6601

We can help you with the following services:

- Actuarial Consulting
- Plan Consulting and Design
- Plan Installation
- Annual Administration
- Daily Recordkeeping
- Repurchase Liability Studies
- Employee Communication
- Regulatory Compliance
- Educational Presentations
- Special Studies

We are dedicated to making your employee benefit program a tool for reaching your organizational goals.

We provide services for:

- Profit Sharing Plans
- 401(k) Plans
- Money Purchase Plans
- Target Benefit Plans
- Defined Benefit Plans
- ESOPs
- Age-Weighted Plans
- New Comparability Plans (Cross-Tested)
- TSAs/403(b)/457 Plans
- Comprehensive Employee Benefit Statements
- Supplemental Executive Retirement Programs (SERPs)

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Vision Statement:

We strive for financial strength for our clients, our employees and our company by caring to be the best. We are committed to being the leading pension consulting firm in our market. We achieve this through cooperative teamwork, community building and continuous learning and development.

Mission Statement:

We focus primarily on design and administration of qualified retirement plans. Our mission is to develop relationships with our clients, our employees and our community so that all parties grow and develop financially and otherwise.