

Summary Plan Description Sample

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INTRODUCTION

Due to a substantial increase in individual tax rates and the increased restrictions on the 401(k) Savings Plan, SAMPLE Corporation has adopted the Deferred Compensation Plan.

This plan is designed to provide an opportunity for executives with discretionary income to defer compensation and accumulate potential earnings on a tax-deferred basis.

The Deferred Compensation Plan:

Key Employees	Is offered to select key employees of SAMPLE Corporation.
Salary and Bonus Deferrals	Provides opportunity to defer salary and bonus beyond that currently provided under the 401(k) Savings Plan.
Variable Crediting Rates	Gives you the ability to select crediting indices based on your individual risk preferences.
Company Deferrals	SAMPLE Corporation has the flexibility to credit a matching contribution to your account each year.
Tax Planning and Financial Independence	Provides an opportunity for tax planning and financial independence: The plan gives you the opportunity to determine when you want to pay income tax on amounts deferred and earnings accrued. Tax deferred compounding allows you to accumulate retirements savings more quickly. Your deferral account will supplement your retirement income and survivor benefits.
Enhanced Participant Security	Enhances participant security through a rabbi trust.

DEFERRAL ADVANTAGES

More Investment Dollars

You can invest more into a company-sponsored deferral plan that you can into most outside investments because the deferral is made from pretax income, like your 401 (k) Savings Plan.

Higher Return

Pretax investment, tax-deferred accumulation, and an earnings rate similar to the type you can achieve on your 401 (k) Savings Plan, enable you to achieve much greater returns than on an outside after-tax investment.

Compare the investment results of receiving \$10,000 as compensation and investing the after-tax amount, to \$10,000 deferred under this plan.

COMPARE: Comparison of Outside Investment With Plan Investment

Assumptions	Deferral of \$10,000 each year until retirement	
	Assumed Rate of Return.....	8%
	Assumed Tax Bracket.....	39.6 %

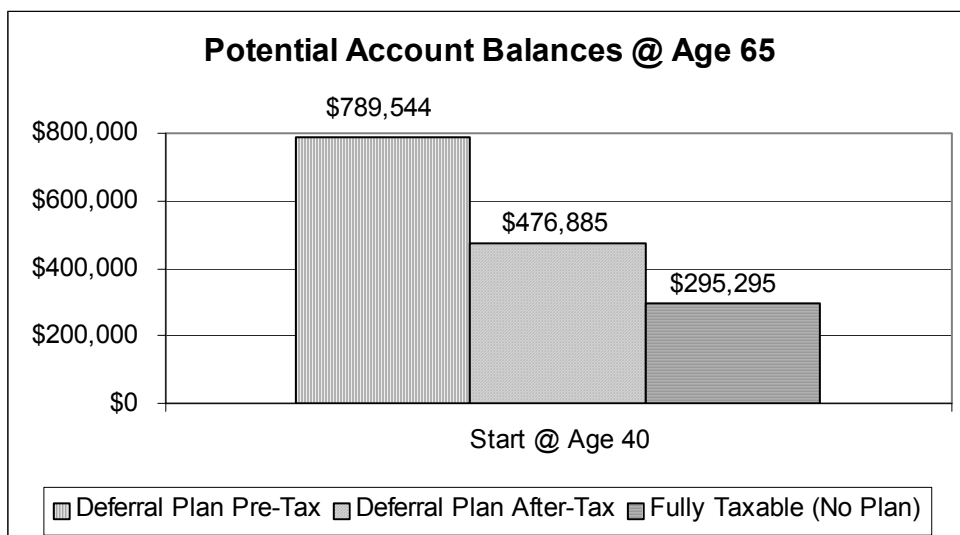
The account balance projections are based upon a hypothetical crediting rate of 8% solely to illustrate the tax advantages of the Plan. Actual results will vary.

Deferred Growth	If you defer \$10,000 <u>each year</u> until retirement:
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Account Balances @ age 65

Beginning at Age	Deferral Plan Pre-Tax	Deferral Plan After Tax	Fully Taxable Investment (no Plan)
40	\$ 789,544	\$ 476,885	\$ 295,294
45	\$ 494,229	\$ 298,514	\$ 205,689
50	\$ 293,243	\$ 177,199	\$ 134,917
55	\$ 156,455	\$ 94,499	\$ 79,020
60	\$ 63,359	\$ 38,873	\$ 34,870

All examples assume 8% net yield annually for illustration purposes. Actual results will vary.



OPERATION OF THE DEFERRED COMPENSATION PLAN

Election to Defer:

Salary, Bonus

As a participant you may elect to defer your compensation, including salary and bonus. All deferrals are pre-tax, which reduces your current income tax. Deferrals may be made in percentages or in dollar amounts.

Minimums and Maximums

Compensation	Deferral Period	Annual Deferral Percent
Salary	1 Calendar Year	0- 50%
Bonus	1 Calendar Year	0- 100%

- You must have a minimum combined deferral of \$1000 of compensation annually.
- You must have sufficient taxable income remaining after deferral to pay all FICA and Medicare taxes.

One Year Commitment

Your deferral elections will be in force from January 1 to December 31 of each calendar year

Annual Elections

Each year, you will have the opportunity to make a new deferral election for the following year.

Election		
Compensation	Date	Applies To
Salary	December 31	Amounts earned and payable in subsequent calendar year.
Bonus	December 31	Amounts earned in subsequent calendar year.

Hardship Waiver

The deferral commitment is irrevocable. However, the administrative committee may waive the remainder of your deferral commitment if you withdraw from the plan and can prove a severe financial hardship.

Your Account

SAMPLE Corporation deducts your deferral and credits bookkeeping accounting in your name.

Crediting Deferrals

Your account is credited with your salary and/or bonus deferrals on the date those amounts are otherwise payable.

Earnings Credited To Your Account

Your account will be credited with earnings and losses based upon the performance of the investments that you select.

You may select from the following investments:

Sample Investment CO. Money Market
Sample Investment CO. II Index 500
Sample Investment CO. II Asset Manager
Sample Investment CO. Growth
Sample Investment CO. Overseas

You may choose any combination of the five funds in 5 % increments, e.g., 50% Index 500, 25 % Asset Manager and 25 % Money Market.

Matching Contributions

SAMPLE Corporation has the option to match deferrals you make into the Deferred Compensation Plan. The matching contribution will be determined at the beginning of the plan year and credited to deferrals made during the year.

Matching contributions will be subject to the same elections you have made for your deferral contributions. They will follow the same investment allocations and distribution

format.

Changing Your Allocations

You may change your investment allocation once per quarter by providing notice ten (10) days before the new quarter. The new allocations will apply to deferrals made after the change.

Investment Risk

As in your 401(k) Savings Plan, your deferral account is subject to standard investment risk. For example, if the rate of return is positive, you will experience growth in your account balance; if there is a negative return, there may be a loss of your principal investment resulting in a smaller account balance.

Unsecured Creditor

You will be an unsecured creditor of SAMPLE Corporation. Although SAMPLE Corporation or the trust may purchase an insurance policy on your life or invest in securities to assist the company in defraying the cost of the plan, you will have no ownership interest in the insurance policy, nor in the portfolios on which your account balances are based.

Payroll Taxes

Federal Insurance Contributions Act (FICA) requires that the company withhold this tax on any amounts deferred. This withholding will be deducted from your remaining bonus or salary, while you are actively employed.

Under current Internal Revenue Service regulations, interest accrued and amounts deferred will be subject to FICA withholding taxes at the time of deferral and will be subject to Federal and State income tax withholding at the time of disbursement.

Impact on 401(k) Contributions

Contributions to the SAMPLE Corporation Deferred Compensation Plan will not be included in your eligible compensation for the 401(k) Savings Plan. As a result, the amount

you can defer under the 401(k) plan may be reduced.

Electing Distribution Time and Form:

Payment Election

You must select the time and form of the distribution of your deferral when you make each year's deferral election. You may not change your election thereafter. You may, however, select a different form of payment for each deferral election.

Payable Events

As in your 401(k) Savings Plan, your deferral account is subject to standard investment risk. For example, if the rate of return is positive, you will experience growth in your account balance; if there is a negative return, there may be a loss of your principal investment resulting in a smaller account balance.

Your benefits are payable under the following circumstances:

- Retirement
- Financial Hardship
- Death
- Termination of Employment
- Disability

The rules for payable events appear in the following table:

EVENT	TIMING OF ELECTION	FORM OF PAYMENT	NOTES
Retirement (after age 60)	At the time of deferral election	<ul style="list-style-type: none"> • Lump sum • Annual installments of up to 15 years 	Installments will be paid annually based on the number of payments remaining and the account balance at the time of determination. Payment will fluctuate based on the performance of the selected indices.
Hardship	Any time while employed by SAMPLE. Apply to Committee.	As approved by committee.	No further deferrals during the calendar year or in subsequent years. A hardship withdrawal is a serious financial setback that is not foreseeable and is beyond your control.
Death	N/A	Lump Sum	Benefit is equal to your account balance. You can change your beneficiary designation at any time by completing a new beneficiary designation form.
Early Termination of Employment	At time of deferral election.	Lump Sum	Account balances attributed to your deferrals and earnings thereon will be payable at the time of termination. Balances attributed to corporate matches and earnings thereon will vest at a rate of 0% for the first two years of service and 20% per year in years of service three through seven. After seven years the corporate match and earnings thereon are fully vested.
Disability	N/A	N/A	If receiving disability benefits, you are treated as still employed. If disability benefits cease due to return to work you will be treated as actively employed. If disability benefits cease due to other reasons, you will be treated as having retired.

PARTICIPANT SECURITY

Rabbi Trust:

Protects From:

- Change of Heart
- Change of Control

You are an unsecured creditor of SAMPLE Corporation. To increase the security of your benefits, SAMPLE Corporation has established a specially designed grantor trust, commonly called a *rabbi trust*.

In the event that members of the SAMPLE Corporation family own less than 51% of SAMPLE Corporation, assets will be transferred to the trust sufficient to secure all vested benefits.

These assets are available to pay benefits if SAMPLE Corporation refuses or is unable to pay benefits for any reason other than insolvency (i.e. change of heart or change of control).

While the rabbi trust does increase the security of your benefits, the trust assets may or may not be sufficient to fully cover all SAMPLE Corporation Deferred Compensation Plan obligations to you.