

How much can I contribute annually?

For 2007 and 2008, workers are able to contribute the smaller of:

1. the elective deferral limit of \$15,500, or
2. up to 100% of includable compensation (must be less than the elective deferral limit), or
3. for 2007 those with employer matches or other employer contributions, limits are \$45,000 or 100% of compensation (whichever is less). The employee is still limited to the employee elective deferral limit (\$15,500 for 2007). An employer can add up to another \$29,500.

for 2008 those with employer matches or other employer contributions, limits rise by \$1,000 to \$46,000 or 100% of compensation (whichever is less). The employee is still limited to the employee elective deferral limit (\$15,500 for 2008). An employer can add up to another \$30,500.
4. in addition, if you are 50 or older at any time during 2007 and 2008, you may contribute an additional \$5,000.

Note: There is a provision of the Internal Revenue Code that temporarily increases the elective deferral limit for those eligible employees. This increase is known as the 15-year-rule. This special provision increases your elective deferral limit by as much as \$3,000 more than the current \$15,500 limit (as of 2007). To qualify you must have completed at least 15 years of service with the same employer (years of service need not be consecutive), and you cannot have contributed more than an average of \$5,000 to a 403(b) in previous years. The increase in your elective deferral limit cannot exceed \$3,000 per year under this provision, up to a \$15,000 lifetime maximum. If you have 15 or more years of service with your employer, it is highly recommended that you consult with a tax professional concerning the limits on your contributions. Note that if are eligible to contribute to both the age 50 catch-up and the 15-year-rule the IRS will first apply any contribution above normal limits to the 15-year-rule.