

Trust Notes

FROM ALASKA USA TRUST COMPANY

CATCH-UP CONTRIBUTIONS

Making up for lost time

Saving enough money for a comfortable retirement is probably one of your primary financial goals. But, with so many other demands on your money, it's easy to get off track.

If you are 50 or older and want to make up for lost time, the tax law allows you to catch up on your savings by contributing extra amounts to an employer-sponsored retirement savings plan and/or an individual retirement account (IRA).

Save through your employer

401(k) plans allow participating employees to defer a portion of their pay to the plan on a pretax basis. You aren't taxed on your plan contributions, or on the earnings your contributions generate, until you receive distributions from the plan.

The tax law limits this benefit by capping the annual amount of salary that can be deferred.

For 2005, the dollar limit is \$14,000. But, if your plan allows it, you can contribute even more once you reach age 50. The maximum catch-up contribution for 2005 is \$4,000.

Save on your own

A similar opportunity exists with IRAs. Eligible individuals who are at least age 50 can contribute up to \$4,500 of compensation for 2005 – \$500 more than standard limit. And there is no rule against contributing to both an employer's plan and an IRA.

The annual limits on both regular and catch-up contributions are scheduled to increase in the future. Regardless of your age, maximizing your contributions to retirement savings plans and IRAs is a tax-smart way to prepare for the future.

Call Alaska USA Trust Company today for help maximizing your IRAs, with options that include managed accounts.



Seeing the benefits

	Save an additional \$500/year	Save an additional \$2,000/year	Save an additional \$4,000/year
Save for 5 years	\$2,983	\$11,932	\$23,864
Save for 7 years	\$4,500	\$18,000	\$35,999

Each example assumes a 7% annual return, compounded monthly. This rate is used for illustrative purposes only; your returns may be different. The calculated balances only reflect the additional catch-up contributions and earnings for each participant. This provision is scheduled to expire after 2010 unless the law is changed prior to that time.

AlaskaUSA

Asset values on the rise?

You may need to adjust your estate plan

The total value of your assets is a primary consideration in planning your estate and also influences the strategies you choose to reduce potential estate taxes. If your worth has changed significantly, your present estate plan may no longer be tax efficient.

Assets in your current plan

Assets included in your estate plan have probably grown in value since you last reviewed it. However, the value of your estate will be the combined worth of these assets at the time of your death, not the value they were when you purchased them. Asset values to review include: your investments, your home and any interest you own in your business.

Assets you've added

Have you become the owner of more assets – including more life insurance – since your estate plan was created? Careful adjustments may be necessary so that your taxable estate does not include your new assets, whether they are proceeds from insurance or inherited investments.

Anticipating tax liability

If your present estate plan anticipated no taxes, it may only address estate settlement and distribution of assets to

your beneficiaries. If your assets have increased in value, you may wish to use trusts to reduce or eliminate potential taxes. A trust strategy can also assure that the assets preserved from taxes will be professionally managed.

If your present plan did anticipate some tax liability for your family, you may have already arranged to eliminate the taxes by using a trust. However, your present plan may not be able to avoid all the tax liability if you have been fortunate enough to have substantial asset growth. Other tax-saving strategies, such as using a charitable remainder trust, may be desirable because of your new asset circumstances. With a larger estate, it is also more likely that your estate's investment assets will require a professional manager's care.

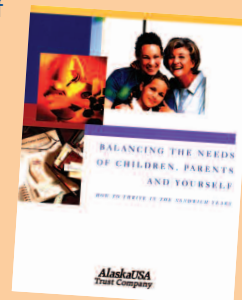
Updating your estate plan

If your assets are worth more than they were when your estate plan was created, talk to an estate-planning professional about the advantages of trusts. Once you've updated your plan, Alaska USA Trust Company can serve as your trustee, offering continuity of asset management, impartiality and privacy.



Resources for you

Alaska USA Trust Company offers a variety of educational resources for its clients, like this booklet on how to balance the needs of your children, parents and yourself. It covers topics such as legal issues (powers of attorney and competence), financing the future for your parents, children and yourself, and overcoming emotional roadblocks.



Call the Trust Company today for your copy.

"Some Baby Boomers are frustrated that their efforts to step up saving for retirement have been stalled by the financial demands of both college-bound children and parents who need a higher level of assistance in their daily lives..." From *Balancing the Needs of Children, Parents and Yourself: How to Thrive in the Sandwich Years*.

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