

ABenefits Xtra

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Inside this issue:

- New Roth 401(k) Option
- Dependent Eligibility
- Partial 401(k) distributions
- Double-check your insurance
- Explanation of Benefits statements
- Send questions to abx.benefits@abxair.com

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New Roth 401(k) Option

The ABX Air, Inc., Capital Accumulation Plan now is offering a new Roth contribution option in your existing 401(k) workplace retirement savings plan. With the addition of this new Roth 401(k) feature, you will have another choice on how to save for your retirement. Roth 401(k) contributions and withdrawals are taxed differently than your current plan contribution options. We want you to be aware of this new option now so you can plan your 2006 contributions accordingly.

To help you make more informed decisions regarding this new contribution, we have included some educational information on the Roth 401(k) option.

How are Roth 401(k) contributions different from my traditional 401(k) contributions?

With a Roth 401(k) feature, you can designate all or a portion of your future deferral contributions as "Roth contributions." Traditional 401(k) contributions are made on a pre-tax basis and are not included in current taxable income. The pre-tax contributions and any earnings will be subject to income taxes when withdrawn. In contrast, Roth 401(k) contributions are made on an after-tax basis and are included in current taxable income. Earnings are tax free if they are part of a "qualified distribution." A qualified distribution is one that is taken at least 5 tax years from the year of your first Roth 401(k) contribution and after you have attained age 59½, become disabled, or die.

How may Roth 401(k) contributions affect your paycheck?

You elect a percentage and/or dollar amount of your salary that you wish to contribute to the Roth source within your existing plan, just like a traditional 401(k) contribution.

...continued on page 2

Dependent Eligibility

Are your dependents eligible for health insurance?

Ineligible dependents raise the costs of health care for all of us. Please make sure you have only qualified dependents on your medical, dental, and vision plans. If you are enrolled in the Enhanced PPO or HSA PPO, qualified dependents are:

1. Your legal spouse.
2. Your unmarried children under age 19, including your natural children, legally adopted children, children placed for adoption, stepchildren residing with you, and any other children supported solely by you and permanently residing with you, provided you are their legal guardian or you claim the children as dependents for federal income tax purposes.
3. Your unmarried children from age 19 through age 23 who are registered students in full-time attendance at an accredited university or similar institution of learning and who are dependent on you for support and for whom you are entitled to an income tax exemption.
4. Your unmarried child who is incapable of self-sustaining employment by reason of developmental disability or physical handicap, provided such child was covered under this Plan at the time of disability and immediately prior to his or her 19th birthday (23rd if a student).

To remove any ineligible dependents, call Edna Rickard in the Benefits Department at (800) 736-3973 ext. 2567.

A few minutes of your time removing an ineligible child or an ex-spouse could save you from reaching deeper in your pockets for medical expenses next year. Remember, fraudulent dependents found remaining on the plan may be cause for disciplinary action or even termination from ABX.

Snapshot

Taxes: Pay now or pay later

	Traditional, Pre-Tax 401(k)	Roth 401(k)
Employee contributions	Pre-tax dollars	After-tax dollars
Employee Withdrawals	Taxable upon withdrawal	Tax-free upon withdrawal*

* In the event of either retirement or termination, your earnings can be withdrawn tax-free as long as it has been five tax years since your first Roth 401(k) contribution and you are at least 59 1/2 years old. In the event of death, beneficiaries may be able to receive distributions tax-free if the deceased started making Roth contributions more than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax-free if it has been five tax years from your first Roth 401(k) contribution.

Questions & Answers

Q. How can I enroll in the Weight Loss and Smoking Cessation classes at the Healthcare Center, and how much do they cost?

A. Please call the Healthcare Center directly at (937)283-9289 to get the schedules of the upcoming classes and the details on enrolling. Smoking Cessation classes are free for employees and their dependents. The Weight Loss class costs \$75, with a possibility of obtaining a full refund for those who attend 90% of the classes and lose 10% of their body weight.

Q. Are current participants and those who've already completed the programs seeing any results?

A. Yes! Only half way through the first Weight Loss class, the current 32 participants together have lost over 300 pounds. In the six Smoking Cessation classes that have been completed, 71% of those who have completed the course are now tobacco free.

Upcoming events

Fidelity Investments will be at ABX presenting several Retirement Classes on:

Finding the Right Investment Strategy — 4:30 – 5:30 p.m., June 22

The goal of this workshop is to educate participants on how to determine an appropriate asset allocation as defined by their Investor Profile Questionnaire (IPQ), how to apply that well-diversified strategy to their retirement savings plans, and techniques for rebalancing their accounts. This class is designed for employees who are participating in the CAP/401(k) plan, have a basic understanding of asset classes, but want to learn more about diversifying their portfolio and minimizing risk.

Achieving a Sound Retirement — 7:30-8:30 p.m. & 10-11 p.m., June 22

The goal of this workshop is to educate participants on how to identify and plan for multiple personal savings goals as they begin to prepare for retirement. The class is designed for those who are 5-10 years away from retirement and are actively engaged in managing their personal savings goals. You must be at least 45 years old to attend this class.

All meetings will be held at the ABX Air Healthcare Center Classroom. Space is limited, so please e-mail abx.benefits@abxair.com or call Benefits at (937) 382-5591 ext.3085 or ext.2463 in order to reserve your spot in the classes. If you email, please include your full name and employee number and if a spouse will be attending the class with you.

New Roth 401(k) Option (continued from page 1)

However, *unlike* your traditional 401(k) contribution, you pay taxes up front on the Roth contribution. Therefore, your take-home pay will be less if you are making Roth contributions than it would be if you were making traditional pre-tax contributions.

For example: Assume your eligible gross compensation is \$30,000 per year or \$2,500 per month with a 28% federal income tax withholding rate:

	Pre-tax contributions	Roth contributions
Contribution	6%	6%
Compensation	\$30,000	\$30,000
Less: Pre-tax contribution for the year	(\$1,800)	\$0
Taxable Income	\$28,200	\$30,000
Less: Income taxes (28%)	(\$7,896)	(\$8,400)
Less: Roth contribution	\$0	(\$1,800)
Net (take home pay)	\$20,304	\$19,800
Difference in take home pay for the year is:		(\$504)

This hypothetical example is for illustrative purposes only. It shows the potential impact on take-home pay assuming a pre-tax or after-tax annual contribution of \$1,800 based solely on an assumed 28% federal income tax withholding rate. Actual taxes and take home pay will depend on your individual tax situation. No other payroll deductions are taken into account. Pre-tax contributions and any related earnings will be taxed at the time of withdrawal. Any earnings on after-tax Roth contributions are tax-free if certain conditions are met.

Can I make contributions to both the traditional pre-tax 401(k) and the Roth 401(k) source?

Yes. You may contribute to both the traditional pre-tax and Roth option as long as you do not exceed the total IRS contribution limit for that year. In 2006, the combined IRS contribution limit for both Roth and traditional pre-tax contributions if you are under age 50 is \$15,000. If you are over age 50 by year-end and make catch-up contributions, the combined IRS contribution limit for both Roth and traditional pre-tax contributions is \$20,000.

Are there eligibility restrictions on contributing to a Roth 401(k) option?

No, if you are eligible to make pre-tax contributions to your traditional 401(k) account, you are eligible to make Roth 401(k) contributions. In addition, unlike a Roth IRA, the Roth contributions to your retirement plan are not subject to restrictions based on your adjusted gross income.

How do I know if the Roth 401(k) option makes sense for me?

Generally, if you expect to be in the same tax bracket in retirement as now, a traditional, pre-tax or a Roth 401(k) contribution are roughly equivalent from a tax perspective. If you expect to be in higher tax bracket in retirement, a Roth 401(k) may be the better choice since you won't pay taxes on qualified distributions of earnings. If you expect to be in a lower tax bracket in retirement, then a traditional, pre-tax contribution may make more sense for you. Whether to contribute to the Roth option depends on your own personal situation, and many factors should be taken into account. Due to the differing tax implications associated with traditional, pre-tax versus Roth 401(k) contributions, and the potential impact they may have on your current adjusted gross income, which may affect your eligibility for other tax credits and benefits, you may wish to consult with a tax or financial advisor regarding your individual situation.

Please contact a Fidelity Retirement Services Specialist for more information at **1-800-835-5095**.

Partial 401(k) Distributions

When retiring from ABX Air, you are now able to take partial distributions and leave the remaining balance in your CAP/401(k) account. Previously, you were required to take a lump-sum distribution from your plan account or leave the entire balance in your account.

This allows retirees to access a portion of their accounts rather than taking the entire amount as a lump sum. This new feature will allow retirees to better manage their accounts while allowing continued access to the funds available in the plan.

Contact Fidelity at 1(800)835-5095 or visit www.401k.com for additional information.

Double-check your insurance Explanation of Benefits statements

Medical billing is difficult and complicated, and mistakes sometimes are made. Double-check the Explanation of Benefits from United HealthCare. If you see double billing or charges for services you didn't receive, let us know at abx.benefits@abxair.com or by calling (800) 736-3973 ext.2567. In the past, an ABX employee identified \$4,500 in overcharges in a single medical payment. Pointing out the error saved the Company money, and the Company then rewarded that employee with a \$450 check for his efforts.*

ABX Air, Inc., is self-insured, which means the Company pays all of our medical claims directly. Any reductions to your bills are dollar-for-dollar savings to the Company and will help hold the costs down for all of us. If you identify an overpayment by United HealthCare, which is then refunded as a result of the information you provide, you also will receive 10 percent of the savings!

*These checks qualify as income and are, therefore, subject to taxes. This program is available to any benefit-eligible employees not covered by a collective bargaining agreement.