Keogh Plans
Retirement Plans for Self-Employed Individuals and Partnerships

What is a Keogh Plan?
Generally, a Keogh Plan is a defined-contribution or defined-benefit retirement plan set up by a self-employed person or partnership that must meet the same eligibility and coverage requirements, contribution limits, vesting requirements, rules for integration with social security, and other plan requirements, as for any qualified retirement plan covering corporate employees.

Am I eligible for a Keogh Plan?
If you have net earnings from self-employment through your performance of personal services, you are eligible to set up a Keogh Plan. As far as these types of accounts are concerned, your net profit is considered income (gross income minus deductions).

How is the maximum contribution for a Keogh Plan determined?
The most important special rule is the definition of earned income. Earned income is defined as the self-employed individual’s net profit from the business after all deductions, including the deduction for the Keogh plan contribution.

What is the maximum contribution for a Keogh Plan?
The maximum amount of contribution depends upon which plan you have.

Defined Contribution Keogh Plans
Defined Contribution Keogh Plans for self-employed individuals and partnerships include the following:

- Profit Sharing
- Money Purchase
- Target Benefit
- Individual(k) Plan *
- Traditional 401(k)

NOTE: * In order to establish an Individual(k) plan, you must not employ any common-law employees who would be eligible to participate in the plan. Simply, this means that if you established an Individual(k) plan and subsequently hired a common-law employee, your plan would no longer be deemed an Individual(k) plan. If this is the case, your Individual(k) plan would have to be amended to a Traditional 401(k) plan.

Defined Benefit Keogh Plans
A defined benefit plan can get you a higher deduction depending on your age. Under a defined benefit plan, sufficient funds have to be contributed to the plan in order to provide a retirement benefit at retirement age. If the time to retirement is short due to the age of the individual, then the contributions have to be significant. The contributions to a defined benefit plan are not limited to a percentage of income. Older owners may be able to contribute much more than maximum allowed for Keogh defined contribution plans and single-employee SEPs.

Are there other retirement plans available for self-employed and partnerships?
Yes. A Simplified Employee Pension Plan or SEP/IRA is available.

When must I receive the retirement benefits of my Keogh Plan?
The rules governing Keoghs are very similar to IRAs. If you own more than 5% of your business, Keogh plan distributions must begin by April 1 following the year in which you reach age 70½.
### Comparison of Retirement Plans For the Self-Employed

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Plan</th>
<th>Defined Contribution Plan</th>
<th>IRA</th>
<th>Simplified Employee Pension Plan (SEP)</th>
<th>SIMPLE</th>
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</thead>
<tbody>
<tr>
<td><strong>Maximum Yearly Contribution</strong></td>
<td>To fund a benefit equal to the lesser of $195,000 or 100% of average net earnings.</td>
<td>Lesser of $49,000 or 100% of net self-employment earnings (for earnings up to $245,000).</td>
<td>$5,000 ($10,000 for couples) $6,000 for persons age 50 and over.</td>
<td>Lesser of $49,000 or 25.00% of net earnings from self-employment (or 20% of net profit.)</td>
<td>$11,500 (adjusted for inflation in future years) ($14,000 for persons age 50 and over).</td>
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<td><strong>Maximum Yearly Deduction</strong></td>
<td>Based on actuarial assumptions.</td>
<td>Same as contribution.</td>
<td>Lesser of taxable net earnings or $5,000 (Roth IRA contributions not deductible).</td>
<td>Same as contribution.</td>
<td>Same as contribution.</td>
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<tr>
<td><strong>Contribution Deadline for Deduction on 2008 Tax Return</strong></td>
<td>Due date of 2009 Tax Return (including extensions).</td>
<td>Due date of 2009 Tax Return (including extensions).</td>
<td>April 15, 2010</td>
<td>Due date of 2009 Tax Return (including extensions).</td>
<td>Due date of 2009 Tax Return (including extensions).</td>
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<td><strong>Comments</strong></td>
<td>Requires professional administration. Good plan for people over 50 who need to save more aggressively.</td>
<td>Usually requires professional administration.</td>
<td>Spouse not covered by your retirement plan can make $5,000 deductible contribution to IRA if the modified adjusted gross income (MAGI)is under $176,000.</td>
<td>Simple to set up and administer.</td>
<td>Employer must match employee contributions up to 3% of pay or make a 2% non-elective contribution. Number of employees cannot exceed 100.</td>
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Please call your Registered Representative to learn more about how you can benefit from the use of Keogh Plans.

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