

Design a Retirement Plan That's Right for You—and Your Employees



Designing the right retirement plan can yield multiple benefits for your business, like potentially higher tax savings, as well as attracting and retaining valuable talent. Discussing your plan options with an expert is key to finding the best fit for you and your employees. This table, which includes contributions based on 2023 COLA limits, is a great way to begin thinking about what plan type might make sense for you.

Employee	Age	W-2 Income	SEP IRA	SIMPLE IRA	401(k) Safe Harbor	401(k) Profit Sharing New Comparability	401(k) Profit Sharing Cash Balance
Business Owner	50	\$330,000	\$66,000	\$25,600	\$39,900	\$73,500	\$261,530
Spouse*	48	\$60,000	\$15,000	\$1,200	\$3,600	\$4,800	\$7,992
Subtotal HCE		\$390,000	\$81,000	\$26,800	\$43,500	\$78,300	\$269,522
Employee 1	29	\$52,000	\$13,000	\$1,040	\$1,560	\$2,600	\$3,900
Employee 2	46	\$42,000	\$10,500	\$840	\$1,260	\$2,100	\$3,150
Employee 3	32	\$38,000	\$9,500	\$760	\$1,140	\$1,900	\$2,850
Employee 4	22	\$32,000	\$8,000	\$640	\$960	\$1,600	\$2,900
TOTAL		\$554,000	\$122,000	\$30,080	\$48,420	\$86,500	\$282,322
Percent to owner (family)			66.4%	89.1%	89.8%	90.5%	95.5%
Deferral amount			N/A	\$15,500	\$22,500	\$22,500	\$22,500
Catch-up deferral amount			N/A	\$3,500	\$7,500	\$7,500	\$7,500
Required employer contribution**			N/A	2%	3%	5%	7.5%

Potential taxes deferred	\$45,140	\$11,130	\$17,915	\$32,005	\$104,459
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Consider 3(16) Services

If you don't have a dedicated HR resource or bandwidth to effectively administrate the plan and comply with IRS and DOL laws and guidelines, consider adding 3(16) Fiduciary Service to your plan. This service removes bureaucratic hassle and frees up executive time while keeping your plan in compliance.

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* Assumed to defer 3% of pay as 401(k) deferral; may be able to defer more since both 401(k) plans are safe-harbor but subject to further IRS testing.

** 401(k) Profit Sharing Cash Balance column includes additional amount for Employee 4 to meet minimum participation (40%) test.

Disclaimer: For hypothetical and illustrative purposes only. For 401(k) columns, assumes business owner defers maximum 401(k) deferral including catch-up amount. Demographic changes will impact results.

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