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401(K) PLAN NEWSLETTER

PROFESSIONAL EMPLOYER RESOURCES INC.

PROFIT SHARING CONTRIBUTIONS WITH PUNCH

Are you getting the most out of your retirement savings plan? Most companies aren't. You may not realize it, but within a 401(k) plan you can strategically target your profit sharing contributions to key personnel, including company owners, by adding a cross-tested component to your profit sharing contribution.

What can a cross-tested plan design do for you? Most important, it allows you to specify different allocation percentages to different pre-defined groups of participants. Those groups may be determined by a variety of criteria including ownership, title, salary, service, or any combination of these categories. You may even be able to specify that each employee represents their own group for ultimate flexibility in the allocation of your profit sharing contribution.

Depending on your company's demographics, the owners or other targeted group may be able to receive a much larger allocation as a percentage of pay than other plan participants. For instance, under the right conditions, the owners may be able to receive a profit sharing contribution equal to 25% or even more of their salary (not to exceed a total of $66,000 per participant in 2023) while the rest of the workforce receives only 5%.

For many companies, especially for small-business owners, the flexibility to target company contributions can be a powerful strategic benefit, potentially saving thousands in corporate and personal taxes.

But I thought I couldn't discriminate within a qualified plan? True, you can't. But unlike traditional profit sharing contributions, the discrimination tests for your cross-tested allocation are based on the "projected benefit" of your contribution to the participant at retirement. Since the projected benefit of $1 to a 25 year old is much greater than the projected benefit of that same $1 to a 55 year old, the use of projected benefits enables you to provide different allocation percentages to different groups and still qualify as non-discriminatory.

While a cross-tested plan will always provide more flexibility than a traditional profit sharing plan, the flexibility is greatest if the targeted group is, on average, older than most of the other employees. Since the owners of the company are often older than their average employee, this design often works particularly well if the owners are attempting to minimize their own taxable income while providing a deduction for the business.

> SAVE THOUSANDS IN CORPORATE AND PERSONAL TAXES BY TARGETING COMPANY CONTRIBUTIONS TO OWNERS AND KEY EMPLOYEES

ARE YOU LOOKING FOR A BIT MORE FLAVOR?

If your plan design is plain vanilla, you may want to add some sprinkles. Many 401(k) plans are sold by brokers and agents that may know a lot about investment options, but know fairly little about the intricacies of 401(k) plan design. To get the most out of your 401(k), you need to consult with 401(k) experts who can help you take full advantage of the flexibility allowed by law. From cross-testing, to qualified automatic contribution arrangements, to safe harbor provisions, we can help you determine the right plan design for you. As an adopting employer of our multiple employer retirement savings plan, you can have all the sprinkles you like!

As an adopting employer, you receive complimentary plan design services from experienced retirement plan specialists.

If you would like more information about joining a multiple employer plan, contact us today! We will arrange a plan consultation with a retirement specialist to help you determine if joining a multiple employer plan is the right move for your company.

Name of the Company: _____

Form of Entity (check one):

Corporation	S Corporation	Non-Profit/Tax-Exempt	Sole Proprietorship
LLC	LLP	Partnership	Other

Business Product or Service: _____

Company Address:_____ City: _____ State: _____ Zip: _____

Company Phone: _____ Fax: _____

Company Contact: _____

Name: _____ Title: _____

Email: _____ Phone: _____

Alternative Contact: _____

Name: _____ Title: _____

Email: _____ Phone: _____

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