

VARIOUS RETIREMENT PLAN SCENARIOS

SEP IRA	Wages	Age	Employer Contribution	% of Pay
Owner 1	275,000.00	55	55,000.00	20%
Owner Spouse	20,000.00	47	4,000.00	20%
Owner 2	60,000.00	48	12,000.00	20%
	355,000.00		71,000.00	
Employee 1	50,000.00	44	10,000.00	20%
Employee 2	19,000.00	24	3,800.00	20%
Employee 3	37,000.00	36	7,400.00	20%
	106,000.00		21,200.00	
Plan Total	461,000.00		92,200.00	
Owner %				77%

A Simplified Employee Pension Individual Retirement Account (SEP-IRA) plan permits employers to make tax deductible contributions for eligible employees without complicated administration.

SIMPLE IRA					Employer Contribution either:		
	Wages	Age	EE Deferrals	% of Pay	3% Match		2% of Pay
Owner 1	275,000.00	55	15,500.00	5.6%	8,250.00		5,500.00
Owner Spouse	20,000.00	47	12,500.00	62.5%	600.00		400.00
Owner 2	60,000.00	48	6,000.00	10.0%	1,800.00	OR	1,200.00
	355,000.00		34,000.00		10,650.00		7,100.00
Employee 1	50,000.00	44	6,000.00	12.0%	1,500.00		1,000.00
Employee 2	19,000.00	24	500.00	2.6%	500.00		380.00
Employee 3	37,000.00	36	-	0.0%	-		740.00
	106,000.00		6,500.00		2,000.00		2,120.00
Plan Total	461,000.00		40,500.00		12,650.00		9,220.00
Owner %					84%		77%

The Savings Incentive Match Plan for Employees (SIMPLE) IRA permits an employer to offer a salary deferral plan to their employees without high costs.

Safe Harbor 401(k)					Employer Contribution either:		
	Wages	Age	EE Deferrals	% of Pay	4% Match		3% of Pay
Owner 1	275,000.00	55	24,500.00	8.9%	11,000.00		8,250.00
Owner Spouse	20,000.00	47	18,500.00	92.5%	800.00		600.00
Owner 2	60,000.00	48	6,000.00	10.0%	2,400.00	OR	1,800.00
	355,000.00		49,000.00		14,200.00		10,650.00
Employee 1	50,000.00	44	6,000.00	12.0%	2,000.00		1,500.00
Employee 2	19,000.00	24	500.00	2.6%	500.00		570.00
Employee 3	37,000.00	36	-	0.0%	-		1,110.00
	106,000.00		6,500.00		2,500.00		3,180.00
Plan Total	461,000.00		55,500.00		16,700.00		13,830.00
Owner %					85%		76%

A Safe Harbor 401(k) Plan allows your company to enjoy the higher tax benefits of a traditional 401(k) plan with reduced discrimination testing rules.

Discretionary Profit Sharing Contribution Allocation Options								
	Wages	Age	Pro Rata	% of Pay	Integrated	% of Pay	Cross-Tested	% of Pay
Owner 1	275,000.00	55	46,409.98	16.9%	52,477.06	19.1%	55,000.00	20.0%
Owner Spouse	20,000.00	47	3,375.27	16.9%	2,716.51	13.6%	4,000.00	20.0%
Owner 2	60,000.00	48	10,125.81	16.9%	8,171.00	13.6%	12,000.00	20.0%
	355,000.00		59,911.06		63,364.57		71,000.00	
EE Manager 1	50,000.00	44	8,438.18	16.9%	6,809.17	13.6%	4,000.00	8.0%
Employee 2	19,000.00	24	3,206.51	16.9%	2,587.48	13.6%	950.00	5.0%
Employee 3	37,000.00	36	6,244.25	16.9%	5,038.78	13.6%	1,850.00	5.0%
	106,000.00		17,888.94		14,435.43		6,800.00	
Plan Total	461,000.00		77,800.00		77,800.00		77,800.00	
Owner %			77%		81%		91%	

A Profit Sharing Plan is not dependent on profits but does rely solely on employer contributions. As shown above, employers can choose from multiple formulas. This plan type may be combined with a 401(k) or Cash Balance Defined Benefit plan.

Cash Balance 401(k) Combination Plan								
	Wages	Age	EE Deferrals	% of Pay	3% Safe Harbor	Cash Balance	% of Pay	Plan Total
Owner 1	275,000.00	55	24,500.00	8.9%	-	196,674.00	71.5%	221,174.00
Owner Spouse	20,000.00	47	18,500.00	92.5%	-	750.00	3.8%	19,250.00
Owner 2	60,000.00	48	6,000.00	10.0%	-	1,800.00	3.0%	7,800.00
	355,000.00		49,000.00		-	199,224.00		248,224.00
EE Manager 1	50,000.00	44	6,000.00	12.0%	1,500.00	1,575.00	3.2%	9,075.00
Employee 2	19,000.00	24	500.00	2.6%	570.00	441.00	2.3%	1,511.00
Employee 3	37,000.00	36	-	0.0%	1,110.00	735.00	2.0%	1,845.00
	106,000.00		6,500.00		3,180.00	2,751.00		12,431.00
Plan Total	461,000.00		55,500.00		3,180.00	201,975.00		260,655.00
Owner %					0%	99%		95%

A Cash Balance Defined Benefit Plan is a new kind of benefit plan that works in conjunction with a 401(k) Profit Sharing Plan. Contributions are set for a minimum three year period based on employer design. This type of plan allows employers to deduct large contributions amounts as a company expense.

Compensation is limited to \$275,000 for 2018.

Examples are for illustration purposes only and are based on 2018 limits and costs.

To determine which plan is appropriate for your business, please contact Qualified Pension Services, Inc. for a free consultation. Faith Irmen 417-522-7526 x102

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SIDE BY SIDE COMPARISONS

	SEP IRA	SIMPLE IRA	401(k)	Safe Harbor 401(k)	Profit Sharing	Cash Balance DB
Available To	All employers	ERs with < 100 eligible EEs	All employers	All employers	All employers	All employers
Eligible Employees	Age 21 with service during any 3 of the last 5 years, earning at least \$600 annually	Earn at least \$5,000 in current year and have received at least \$5,000 in any 2 preceding years	Maximum age 21 + 1 year of service working at least 1,000 hours	Maximum age 21 + 1 year of service working at least 1,000 hours	Age 21 + 1 year of service working at least 1,000 hours OR 2 years of service allowed if vesting is 100%	Age 21 + 1 year of service working at least 1,000 hours OR 2 years of service allowed if vesting is 100%
Deadline to establish	By tax filing deadline	Between Jan 1 and Oct 1	Before 1st deferral cont.	Between Jan 1 and Oct 1	Between Jan 1 and Dec 31	Between Jan 1 and Dec 31
EE Contributions	N/A	\$12,500.00	\$18,500.00	\$18,500.00	N/A	N/A
EE Age 50+ Catch-Up	N/A	\$3,000.00	\$6,000.00	\$6,000.00	N/A	N/A
Employer Contributions	Discretionary 0-25% of eligible wages	Mandatory, 3% match OR 2% of eligible wages	Discretionary 0-25% of eligible wages	Mandatory, 4% match OR 3% of eligible wages	Discretionary 0-25% of eligible wages	Mandatory contributions based on plan design
Combination Plans	Additional plan allowed but limits apply as if one plan	No other plan allowed	Can include Profit Sharing and Prevailing Wage \$	Can include Profit Sharing and Prevailing Wage \$	Can include 401(k), Match, Prevailing Wage \$	This plan is designed to be in addition to 401(k)
Annual Limit per EE	Lessor of 25% of wages or \$55,000	\$20,900/\$23,600	\$55,000/\$61,000 (includes Profit Sharing)	\$55,000/\$61,000 (includes Profit Sharing)	\$5,500	\$253,022 (at age 60)
Vesting	100% immediate	100% immediate	Can be applied	Can be applied	Can be applied	Can be applied
Rollovers allowed	No	No	Yes	Yes	Yes	Yes
Distributions	EEs can access anytime	EEs can access anytime	ER controlled access	ER controlled access	ER controlled access	ER controlled access
Loans	N/A	N/A	Allowed	Allowed	Allowed	Allowed
Discrimination Testing	N/A	N/A	Testing Required	Limited Testing	Testing Required	Testing Required
Tax Filings	N/A	N/A	Required	Required	Required	Required
Annual Admin. Costs	N/A	N/A	\$2,290.00	\$2,390.00	\$1,860.00	\$3,800.00
Investment Acct. Types	Individual Retirement Accts.	Individual Retirement Accts.	Pooled, individual or a combination of both	Pooled, individual or a combination of both	Pooled, individual or a combination of both	Pooled only

TAX SAVINGS						
ER Deferrals	-	40,500.00	55,500.00	55,500.00	-	55,500.00
ER Match	-	12,650.00	16,700.00	-	-	-
ER Profit Sharing	92,200.00	-	-	13,830.00	77,800.00	3,180.00
ER Cash Balance	-	-	-	-	-	201,975.00
Total ER Contributions	92,200.00	53,150.00	72,200.00	69,330.00	77,800.00	260,655.00
Administration Fees	-	-	2,290.00	2,390.00	1,860.00	3,800.00
Gross ER Outlay	92,200.00	53,150.00	74,490.00	71,720.00	79,660.00	264,455.00
Tax Savings at 35%	(32,270.00)	(18,602.50)	(26,071.50)	(25,102.00)	(27,881.00)	(92,559.25)
Net ER Cost	59,930.00	34,547.50	48,418.50	46,618.00	51,779.00	171,895.75
ER Portion of Benefits	69,750.00	44,462.50	61,950.00	58,462.50	67,750.00	235,213.84
Net Tax Gain	9,820.00	9,915.00	13,531.50	11,844.50	15,971.00	63,318.09

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