

BUSINESS RETIREMENT PLANS

BUSINESS ADVISORY ACTIONABLE PRINCIPLES



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BUSINESS RETIREMENT PLAN OVERVIEW

What is a business retirement plan?

- » Programs to allow employees to save for retirement through their employer
- Help employees save during their work years
- Employees savings can often be supplemented by employer contributions



How does this help a business owner?

Tax benefits

- » Employer contributions are tax deductible
- » Employee contributions are tax deferred
- » Tax credits may be available for new plans

Helps attract and retain staff

- » Can also boost morale and relieve employee anxiety about the future



TYPES OF RETIREMENT PLANS



Simplified Employee Pension (SEP) Plans

Employer contributes on a tax-favored basis to IRAs owned by its employees



Defined Benefit Plans (traditional pension plan)

Promises the participant a specified monthly benefit at retirement



Savings Incentive Match Plan for Employees (SIMPLE) Plans

Business with 100 or fewer employees offer benefits through employee salary reductions and employer non-elective or matching contributions



Defined Contribution Plans

Employee and/or the employer contribute to the employee's individual account under the plan



Traditional and Solo 401(k)s

Allows employees to contribute a portion of their wages to retirement accounts, may include company match



Profit-Sharing Plans

Defined contribution plan under which the plan may provide, or the employer may determine, annually, how much will be contributed to the plan out of profits or otherwise



KEY CONSIDERATIONS

Employee eligibility requirements

- Age
- Length of Service
- Job Status
- Percentage of compensation
- Union status

Contribution limits

- Plan type
- Age
- Employee compensation
- Employer contribution
- Testing requirements

Administrative costs

- Plan size
- Plan design
- Service providers
- Compliance requirements

Tax implications

- Tax deductibility
- Employee taxation
- Plan options

Ease of implementation

- Plan design
- Employee participation
- Level of plan administration involvement
- Compliance requirements



MAKING A DECISION



Factors to consider when making a decision

- | | |
|--|---|
| ▪ Type of plan is best for your business | ▪ Investment options |
| ▪ Cost to setup and maintain | ▪ Plan design, administration and recordkeeping |
| ▪ Employee demographics | ▪ Regulatory requirements |
| ▪ Tax implications | ▪ Fiduciary responsibility |

Seek professional advice

» Involve your financial advisor



FAQS

» Why should you set up a retirement plan, and what are some of the benefits?

» A retirement plan has lots of benefits for your business and your employees. Retirement plans allow you to invest now for financial security when you and your employees retire. As a bonus, you and your employees get significant tax advantages and other incentives.

» How much can I contribute to my retirement plan as a small business owner?

» As a small business owner, your annual contribution limits to your retirement plan depend on the type of plan you have, your age, and your business profits. For the most updated limit amounts go to:
<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-contributions>

» Can I make contributions to my own retirement plan even if my business is not profitable?

» Yes, you can make contributions to your own retirement plan even if your business is not profitable. However, the amount of the contribution may be limited based on the type of retirement plan you have and your income from other sources.

» Can I change or terminate my retirement plan once it is established?

» Yes, however, there may be certain rules and requirements that you must follow depending on the type of retirement plan that you have. For example, if you have a 401(k) plan, you may need to provide a certain amount of notice to your employees before making any changes or terminating the plan.

» Who serves as a fiduciary for the retirement plan?

» The plan sponsor has fiduciary responsibility for the retirement plan. Those duties include administration, operation, and asset investment.

» What is ERISA?

» ERISA stands for the Employee Retirement Income Security Act of 1974, which protects the retirement assets of American workers by governing how employers provide benefit plans to employees. ERISA established rules and duties that qualified plans and plan fiduciaries must follow to ensure decisions are made in the best interest of plan participants and that plan assets are not misused.

