Would Your Business Benefit from Having a Retirement Plan?

Has your business found it difficult to attract and retain skilled, quality employees? Offering a retirement plan could be a big help.

Take a look at this overview of some of the more popular retirement plans available. You may find one that is ideal for your business.

401(k) Plan
Employees who participate in a 401(k) plan can elect to have a percentage of their pay deferred into a plan account each pay period before federal income taxes are withheld. Choosing from the investment choices offered by the plan, participating employees decide where and how they want to invest their plan contributions. If desired, a business can "match" part or all of the contributions made by employees.

Contributions are deductible by the employer. But the pretax contributions and the earnings on those contributions are not taxed to the employee until the employee receives distributions from the plan. The tax law limits the amount of salary an employee can defer each year. In 2014, the maximum deferral is $17,500. An additional $5,500 may be deferred by employees age 50 and older if the plan provides for "catch-up" contributions.

Profit Sharing Plan
A profit sharing plan allows employees to share in the profits of the business. You can design the plan so that the amount of your business' tax deductible contribution will vary depending on how the business performs each year. However, the annual contribution must be limited to no more than 25% of the total compensation of covered employees. If the plan calls for discretionary contributions, your business would not have to make annual contributions.

Combined 401(k) and Profit Sharing Plan
Another possibility is establishing both a 401(k) and a profit sharing plan. A combined plan must cover all eligible employees, *including* those who do not participate in the 401(k) plan. 401(k) elective deferrals are not considered employer contributions for purposes of the 25%-of-compensation deduction limit discussed above.

SIMPLE IRA
Employers who have no other retirement plans and employ 100 or fewer people earning at least $5,000 for the prior year can consider offering a Savings Incentive Match Plan for Employees using individual retirement accounts (a SIMPLE IRA plan). As with a 401(k) plan, employees may elect to contribute part of their pay. In 2014, the maximum elective deferral to a SIMPLE plan is $12,000 (plus a $2,500 catch-up contribution if age 50 or older). The employer generally must match employee elective contributions dollar for dollar, up to 3% of the employee's compensation, or make a nonelective contribution of 2% of compensation for each eligible employee.

SIMPLE IRAs are intended to attract small business owners by reducing the administrative burden typically associated with a retirement plan. Plus, start-up expenses are more reasonable and compliance requirements are not as restrictive as with other plans.

Simplified Employee Pension Plan
Like a SIMPLE plan, a simplified employee pension (SEP) plan uses traditional individual retirement accounts. However, a newly established SEP plan may not allow employees to contribute salary on a pretax basis. Instead, the employer contributes to the plan for each eligible employee. (Generally, an eligible employee is one who has reached

age 21, worked for the employer during at least three of the last five years, and received a minimum amount of compensation.) The annual deductible contribution for an employee cannot exceed the lesser of 25% of compensation or $52,000 (in 2014). The employer does not have to make a SEP contribution every year.

Consult with Us

Call us if you don’t have a retirement plan in place and think now is the time to introduce one. We can help you evaluate the options.