WHICH PLAN IS RIGHT?

Small Business Owners with Employees

There are myriads of qualified retirement plan options available to small business owners. Most are very similar in nature, differing mainly by the specific features of each company's plan. However, in almost every case the plans share a common theme – they are a costly way for small business owners to save towards retirement. In order to enjoy higher deferral levels of their own, owners must also contribute significant money into their employees' accounts.

New Comparability Profit Sharing Plans offer small business owners a retirement savings vehicle by which they can maximize their own retirement contributions while keeping total plan costs affordable. These age-based plans allow older business owners to more favorably allocate profit sharing contributions to themselves and/or other "targeted" employees. Because older business owners have less time to accumulate retirement benefits when compared with their younger employees, they are permitted to allocate a higher percentage of a profit sharing contribution to themselves.

Consider the following example of a small business consisting of an owner and 8 full-time employees:

ABC Corporation

Comparison of Profit Sharing Allocations

Employee	**Age**	**Earnings**	**Traditional**	**Integrated**	**Age-Wtd**	**Cross-Tested**
Small Business Owner	55	$220,000	$44,000	$44,000	$44,000	$44,000
Employee 1	50	60,000	12,000	10,044	5,587	3,000
Employee 2	45	55,000	11,000	9,207	3,406	2,750
Employee 3	43	50,000	10,000	8,370	2,630	2,500
Employee 4	41	45,000	9,000	7,533	2,011	2,250
Employee 5	38	35,000	7,000	5,859	1,225	1,750
Employee 6	38	35,000	7,000	5,859	1,225	1,750
Employee 7	35	30,000	6,000	5,022	822	1,500
Employee 8	33	25,000	5,000	4,185	582	1,250
TOTALS		**$555,000**	**$111,000**	**$100,079**	**$61,488**	**$60,750**
Total (Owner)		**$220,000**	**$44,000**	**$44,000**	**$44,000**	**$44,000**
Total (Employees)		**335,000**	**67,000**	**56,079**	**17,488**	**16,750**
Owner Percentage		**40%**	**40%**	**44%**	**72%**	**72%**

Under a traditional profit sharing plan, the owner would have to contribute $111,000 in order to maximize his/her own deferral. Integrating the plan with the taxable wage base can provide some contribution relief while maintaining the owner's deferral levels. However, a New Comparability Profit Sharing Plan could **reduce employee benefit costs by 75%** -- by over $50,000 – without reducing the owner's total deferral.

The results can be even more dramatic when there are fewer employees or if there's a greater disparity in age or salary between the owner and employees.