

Evolution of A Qualified Plan

Agenda

- Why Implement a Plan
- Plan Options
 - Individual
 - Small Business
- Design Features
- The Secure Act
- Plan Components
- Implementation and Administration

Why Implement A Plan?



EMPLOYEE
RETENTION



ATTRACT AND RETAIN
KEY EMPLOYEES



MAXIMIZE OWNER
CONTRIBUTIONS



TAX SAVINGS

Traditional IRA

Traditional IRA

If deductible, contributions reduce taxable income in the year they are made

Deductions can be phased out depending on income

Distributions in retirement are taxed as ordinary income

At age 72, there are required minimum distributions

2022 Contribution Limits:

Under age 50: \$6,000

Age 50 and older: \$7,000

Roth IRA

Roth IRA

No immediate tax benefit for contributing

Ability to contribute is phased out at higher incomes

Contributions can be withdrawn at any time without taxes or penalties

Qualified withdrawals in retirement are tax-free

2022 Contribution Limits:

Under age 50: \$6,000

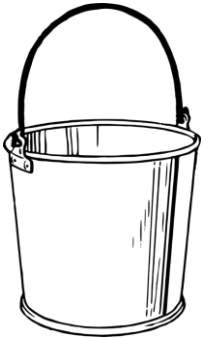
Age 50 and older: \$7,000

Backdoor Roth Strategy

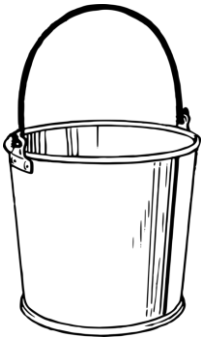
Cash from bank or investment account



Non-deductible contribution to IRA



Non-taxable conversion to Roth



Owner Only Retirement Plans

Owner Only Retirement Plans



SEP IRA

Eligible Compensation

- 25% of W-2
- Self-Employment Income – Schedule C

Contributions

- No Deferral
- No Catch-up

Owner Only Retirement Plans



401(k) Profit Sharing Plan

Eligible Compensation

- W-2
- Self-Employment Income – Schedule C

Contributions

- Deferral - \$20,500
- Catch-up - \$6,500
- Profit Sharing – 25% of W-2 or Schedule C

Example

S CORP

AGE 45

W-2: \$162,000



SEP IRA

MAXIMUM CONTRIBUTION

\$40,500

401(k) PROFIT SHARING PLAN

MAXIMUM CONTRIBUTION

\$61,000

\$244,000 of W-2 needed to reach \$61,000 limit

Owner Only Retirement Plans



401(k) Profit Sharing and Cash Balance Plan

Eligible Compensation

- W-2
- Self-Employment Income – Schedule C

Contributions

- Deferral - \$20,500
- Catch-up - \$6,500
- Profit Sharing – 6% of W-2 or Schedule C
- Cash Balance - \$100,000 to \$250,000

Certain factors such as age and compensation will determine benefit amount

Example

S CORP

AGE 45

W-2: \$162,000



SEP IRA
MAX CONTRIBUTION
\$40,500

Tax Reduction of \$8,910

401(k) PROFIT SHARING PLAN
MAX CONTRIBUTION
\$61,000

Tax Reduction of \$13,420

401(k) PS & CASH BALANCE PLAN
MAX CONTRIBUTION
\$156,220

Tax Reduction of \$34,368

Marginal Tax Rate: 22%

Poll Question



Do You Have A Retirement Plan?

A. Yes

B. No

C. Not Currently But Exploring Options

Small Business Retirement Plans

Plan Compensation

C-Corp

W-2

S-Corp

W-2

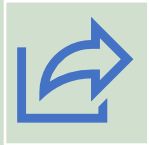
Sole Proprietorship

Earned Income

Partnership

Earned Income

Design Options



Profit Sharing Only



Traditional 401(k) Plan



Safe Harbor 401(k) Plan

Safe Harbor Options



Safe Harbor Match (SH Match)

- Ideal for business with low employee participation
(only those contributing receive a match)
- Business owner not looking to maximize deferrals
- Layer on a discretionary match component
- Layer on a profit sharing component

Safe Harbor Non-elective (SHNEC)

- Any employee who meets eligibility is required to receive a 3% contribution
- Business owner looking to maximize deferrals
- Layer on a profit sharing component
- Layer on a cash balance plan

Sample Census



Name	Title/Position	Ownership Interest (%)	Relationship to Owner	Date of Birth	Date of Hire	Termination Date	Rehire Date	Hours Worked (Estimated if current year data)	Compensation (Estimated if current year data)	Salary Deferral (% or \$)	Profit Sharing Contribution (% or \$)	Company Match Contribution
Owner	attorney	100%		68 years old	1/1/2021			2080	\$588,000			
Employee 1	office manager			47 years old	1/1/2021			2080	\$70,000			
Employee 2				43 years old	1/1/2021			2080	\$90,000			
Employee 3	paralegal			69 years old	1/1/2021			2080	\$95,000			
Employee 4				27 years old	1/1/2021			2080	\$132,000			
Employee 5	attorney			70 years old	1/1/2021			2080	\$100,000			

Safe Harbor Match

Owners	Income	EE %	Deferral\$	Catchup	Safe Harbor \$	Safe Harbor %	Total \$
Owner	\$305,000.00	6.72%	\$20,500.00	\$6,500.00	\$12,200.00	4.00%	\$39,200.00
Total Owners	\$305,000.00		\$20,500.00	\$6,500.00	\$12,200.00		\$39,200.00
Non Owners	Income	EE %	Deferral\$	Catchup	SH \$	SH %	Total \$
Employee 1	\$70,000.00	5.00%	\$3,500.00	\$0.00	\$2,800.00	4.00%	\$6,300.00
Employee 2	\$90,000.00	5.00%	\$4,500.00	\$0.00	\$3,600.00	4.00%	\$8,100.00
Employee 3	\$95,000.00	5.00%	\$4,750.00	\$0.00	\$3,800.00	4.00%	\$8,550.00
Employee 4	\$132,000.00	5.00%	\$6,600.00	\$0.00	\$5,280.00	4.00%	\$11,880.00
Employee 5	\$100,000.00	5.00%	\$5,000.00	\$0.00	\$4,000.00	4.00%	\$9,000.00
Total Nonowners	\$487,000.00	5.00%	\$24,350.00	\$0.00	\$19,480.00	4.00%	\$43,830.00
Grand Totals	\$792,000.00		\$44,850.00	\$6,500.00	\$31,680.00		\$83,030.00
Owner Percentage			45.71%		38.51%		47.21%

Safe Harbor Non-elective

Owners	Income	EE %	Deferral\$	Catchup	Safe Harbor \$	Safe Harbor %	Total \$
Owner	\$305,000.00	6.72%	\$20,500.00	\$6,500.00	\$9,150.00	3.00%	\$36,150.00
Total Owners	\$305,000.00		\$20,500.00	\$6,500.00	\$9,150.00		\$36,150.00
Nonowners	Income	EE %	Deferral\$	Catchup	SH \$	SH %	Total \$
Employee 1	\$70,000.00	0.00%	\$0.00	\$0.00	\$2,100.00	3.00%	\$2,100.00
Employee 2	\$90,000.00	0.00%	\$0.00	\$0.00	\$2,700.00	3.00%	\$2,700.00
Employee 3	\$95,000.00	0.00%	\$0.00	\$0.00	\$2,850.00	3.00%	\$2,850.00
Employee 4	\$132,000.00	0.00%	\$0.00	\$0.00	\$3,960.00	3.00%	\$3,960.00
Employee 5	\$100,000.00	0.00%	\$0.00	\$0.00	\$3,000.00	3.00%	\$3,000.00
Total Nonowners	\$487,000.00	0.00%	\$0.00	\$0.00	\$14,610.00	3.00%	\$14,610.00
Grand Totals	\$792,000.00		\$20,500.00	\$6,500.00	\$23,760.00		\$50,760.00
Owner Percentage			100.00%		38.51%		71.22%

Safe Harbor Profit Sharing Plan

Owners		Income	EE %	Deferral\$	Catchup	Safe Harbor \$	Safe Harbor %	New Comp PS %	NC PS %	Total \$
Owner	\$305,000.00	6.72%	\$20,500.00	\$6,500.00	\$9,150.00	3.00%	\$31,350.00	10.28%	\$67,500.00	
Total Owners	\$305,000.00		\$20,500.00	\$6,500.00	\$9,150.00		\$31,350.00		\$67,500.00	
Nonowners		Income	EE %	Deferral\$	Catchup	SH \$	SH %	Total \$		
Employee 1	\$70,000.00	0.00%	\$0.00	\$0.00	\$2,100.00	3.00%	\$1,001.00	1.43%	\$3,101.00	
Employee 2	\$90,000.00	0.00%	\$0.00	\$0.00	\$2,700.00	3.00%	\$1,287.00	1.43%	\$3,987.00	
Employee 3	\$95,000.00	0.00%	\$0.00	\$0.00	\$2,850.00	3.00%	\$1,358.50	1.43%	\$4,208.50	
Employee 4	\$132,000.00	0.00%	\$0.00	\$0.00	\$3,960.00	3.00%	\$1,887.60	1.43%	\$5,847.60	
Employee 5	\$100,000.00	0.00%	\$0.00	\$0.00	\$3,000.00	3.00%	\$1,430.00	1.43%	\$4,430.00	
Total Nonowners	\$487,000.00	0.00%	\$0.00	\$0.00	\$14,610.00	3.00%	\$6,964.10		\$21,574.10	
Grand Totals	\$792,000.00		\$20,500.00	\$6,500.00	\$23,760.00		\$38,314.10		\$89,074.10	
Owner Percentage			100.00%		38.51%		81.82%		75.78%	

Cash Balance Plan



CONTRIBUTION IS SPECIFIED IN THE PLAN DOCUMENT



MAY PROVIDE DIFFERENT CONTRIBUTIONS FOR DIFFERENT GROUPS



CONTRIBUTIONS ARE CREDITED TO A "HYPOTHETICAL ACCOUNT" FOR EACH PARTICIPANT EACH YEAR



FIXED ANNUAL CREDIT AND FIXED ANNUAL INTEREST CREDIT ON THE ACCOUNT



EXAMPLE: FIXED ANNUAL CREDIT IS \$100K AND THE ANNUAL INTEREST CREDIT IS 3%



CONTRIBUTIONS MUST BE FULLY VESTED AFTER 3 YEARS



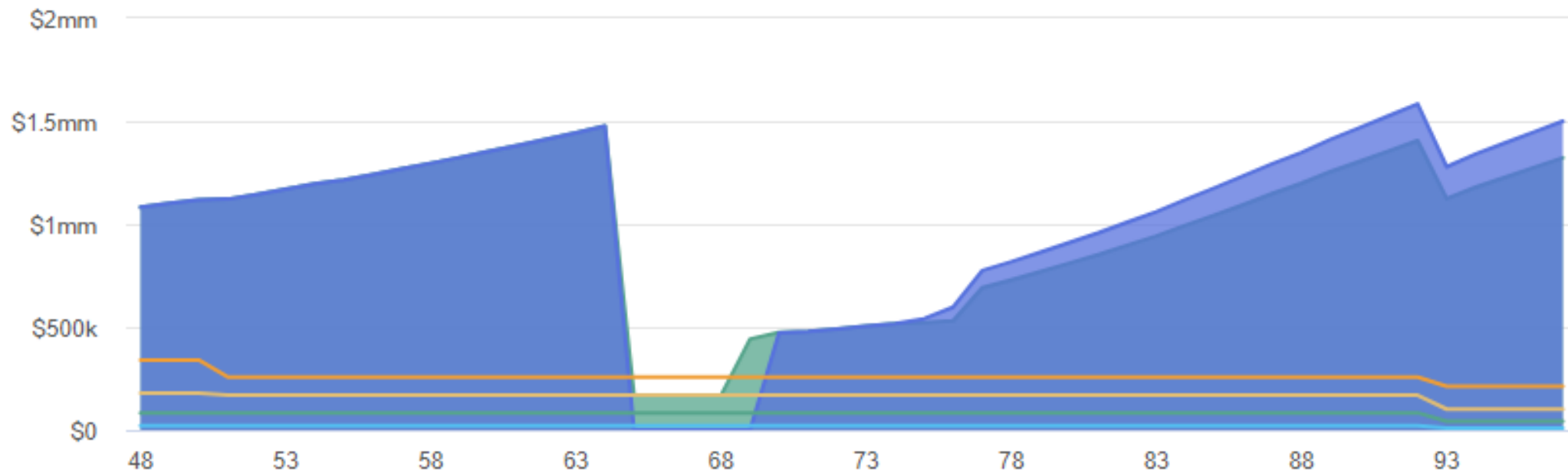
PLAN SHOULD BE MAINTAINED FOR 5 YEARS TO SATISFY PERMANENCY REQUIREMENTS



PLAN ASSETS ARE POOLED AND TRUSTEE-DIRECTED

Cash Balance Plan

Owners	Income	EE %	Deferral\$	Catchup	Safe Harbor \$	Safe Harbor %	New Comp PS %	NC PS %	Cash Balance \$	CB %	Total \$
Owner	\$305,000.00	6.72%	\$20,500.00	\$6,500.00	\$9,150.00	3.00%	\$31,350.00	10.28%	\$140,000.00	45.90%	\$207,500.00
Total Owners	\$305,000.00		\$20,500.00	\$6,500.00	\$9,150.00		\$31,350.00		\$140,000.00		\$207,500.00
Nonowners	Income	EE %	Deferral\$	Catchup	SH \$	SH %					Total \$
Employee 1	\$70,000.00	0.00%	\$0.00	\$0.00	\$2,100.00	3.00%	\$3,150.00	4.50%	\$3,150.00	4.50%	\$8,400.00
Employee 2	\$90,000.00	0.00%	\$0.00	\$0.00	\$2,700.00	3.00%	\$4,050.00	4.50%	\$4,050.00	4.50%	\$10,800.00
Employee 3	\$95,000.00	0.00%	\$0.00	\$0.00	\$2,850.00	3.00%	\$4,275.00	4.50%	\$4,275.00	4.50%	\$11,400.00
Employee 4	\$132,000.00	0.00%	\$0.00	\$0.00	\$3,960.00	3.00%	\$5,940.00	4.50%	\$5,940.00	4.50%	\$15,840.00
Employee 5	\$100,000.00	0.00%	\$0.00	\$0.00	\$3,000.00	3.00%	\$4,500.00	4.50%	\$4,500.00	4.50%	\$12,000.00
Total Nonowners	\$487,000.00	0.00%	\$0.00	\$0.00	\$14,610.00	3.00%	\$21,915.00		\$21,915.00		\$58,440.00
Grand Totals	\$792,000.00		\$20,500.00	\$6,500.00	\$23,760.00		\$53,265.00		\$161,915.00		\$265,940.00
Owner Percentage			100.00%		38.51%		58.86%		86.47%		78.03%



- Adjusted taxable income w/ conversion
- Adjusted taxable income w/o conversion
- 10% tax bracket
- 12%/15% tax bracket
- 22%/25% tax bracket
- 24%/28% tax bracket
- 32%/33% tax bracket
- 35% tax bracket

Qualified Plans

The SECURE Act

Extended Deadline to Implement New Plans

An employer now has until the due date of the business tax return (with extensions) to establish a new profit-sharing plan or cash balance plan for the prior year.

Profit- Sharing Only Plan

Allows for additional contribution up to \$61,000
(2022 Maximum annual DC Plan Limit)

Defined Benefit Plan

Already maxing out your Defined Contribution Plan? Consider implementing a Defined Benefit Plan. Business owner's annual tax-deductible contributions to cash balance plans are typically in the range of \$100,000 - \$250,000 each year (depending on the business owner's age and annual compensation).



Eligible employers may be able to claim a tax credit of up to \$5,000 for three years.

Plan Components



Eligibility



Entry Dates



Vesting Schedules

Quick Facts



SEP	SH 401(k) Profit Sharing Plan	Cash Balance Plan
Administration	Administration	Administration
Easy to Set-up and Maintain	Third Party Administrator (TPA)	Third Party Administrator (TPA)
Funding is Discretionary	Recordkeeper	Advisor
No Annual Filing Requirements	Advisor	Funding is Required
Funding Timeline	Funding is Required	Reporting and Filing Requirements
Prior to Tax Filing Deadline	Reporting and Filing Requirements	Funding Timeline
	Funding Timeline	Prior to Tax Filing Deadline
	Employee Deferrals – 12/31	
	Safe Harbor Contributions – 12/31	
	Profit Sharing – Prior to Tax Filing Deadline	

Questions?

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