Guide to retirement plans

For business owners and professionals

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Addressing your retirement plan needs

Benefits of establishing a retirement plan for your business

Quality of life in retirement can be largely determined by how well individuals plan and save during their working years. There are a number of ways for business owners and professionals as well as their employees to save for the future—with many retirement plan alternatives from which to choose.

These retirement plans offer important advantages, including:

– **Tax deductibility of contributions** that may enable the business to reduce its current tax bill

– **Tax-deferred compounding of earnings** within the plan that allows assets to potentially grow faster than if they were in a taxable account

– **Ability to attract and retain valued employees,** providing a strong incentive for their continuing loyalty and productivity

Types of plans

With many retirement plan alternatives now available, your UBS Financial Advisor can provide information to help you make a decision. Retirement plans for your business typically fall into two categories:

– **"IRA-based" business retirement plans** allow the employer and, in some cases the employee, to contribute directly into an Individual Retirement Account (IRA) set up for the participant/employee. Generally, these plans are simpler and less costly to set up and manage than qualified retirement plans.

– **"Qualified" retirement plans** must meet a number of requirements in order to qualify for favorable tax treatment under the Internal Revenue Code (the "Code"). Qualified plans must be "funded," meaning that contributions must be made to the plan and invested until they are distributed to participants. The plan assets are held in a separate trust under a trustee's control and the plan must be administered in accordance with the plan documents and current rules and regulations, which require regular reporting to the regulating government agencies.

Today, most retirement plans are "defined contribution" plans, meaning there is an individual account for each participant into which employer and/or employee contributions are made. The benefits that will eventually be paid to participants are based solely on the amount of those contributions and the investment performance of their individual account. Note, however, that if the defined contribution plan includes a "guaranteed lifetime income" option, such as a "guaranteed minimum withdrawal benefit," the participant may be guaranteed a minimum level of lifetime monthly or other periodic payments without regard to the market performance of the underlying investments, and even if the participant's account is exhausted.

With "defined benefit" plans, employee benefits are determined by the formula set forth in the plan. Actuarial assumptions are used to calculate the annual amount the employer needs to contribute to fund the plan's promised benefits. Contributions can vary from year to year based on a number of factors, such as the assumed interest rate used in the actuarial calculations and investment performance.

We can explain the various types of plans and help you select one that addresses your needs

How UBS can help

Choosing an appropriate retirement plan for your business can be complicated and time-consuming. Whether you are considering a plan for the first time or evaluating an existing one, your Financial Advisor can offer important services to help you understand the various alternatives and the key elements of the available options.

With many retirement plan choices now available, we can explain the various types of plans and help you select a plan that addresses your needs and the needs of your employees.

– We can also work with you to help you identify and select suitable investment alternatives and, once your retirement plan is in place, meet with you to review and help you adjust investment offerings and options as needed to continue pursuing your objectives.

This guide presents a general look at various retirement plans for your business. You may also find our **Retirement plans at-a-glance** section helpful (located at the end of this guide). It provides a convenient side-by-side comparison of various retirement plan options. Now, let's take a closer look at some of the more common types of plans available.

IRA-based plans

In IRA-based plans, the employer and, in some cases the employee, contribute directly into an individual retirement account established for the participant.

Advantages

– Easy to establish

– Lower administrative costs and complexities

– No Form 5500 filings or nondiscrimination testing

– Employees are responsible for their own investment decisions

Disadvantages

– All contributions are immediately vested

– Participant loans are not available, but in-service distributions and withdrawals are generally freely available, without restriction (although a 10% excise tax may apply if the participant is under the age of $59^{1/2}$)

Simplified Employee Pension Plan (SEP-IRA)

A SEP-IRA plan is for business owners seeking a simple, lower-cost, employer-funded retirement plan that provides the opportunity to contribute a set percentage of compensation on a tax-deductible basis.[1] The contribution percentage allocated to employees may vary each year, and there is no required annual minimum. However, the employer is generally required to make an equal percentage contribution for each eligible employee for up to 25% of their annual compensation, but not more than the annual defined contribution limit.

Because it is easier and less expensive to establish and maintain, the SEP-IRA might be used as a substitute for other types of defined contribution plans (e.g., profit sharing plans). It may be especially suitable for a new business or a business with cyclical profits since the decision to make contributions from year to year is discretionary. Also, there is no minimum or maximum number of eligible employees necessary to establish the plan; however, eligible seasonal and part-time employees must be included if they meet the eligibility requirements for age, years of service and compensation.

Savings Incentive Match Plan for Employees (SIMPLE IRA)

A SIMPLE IRA is for businesses with 100 or fewer employees that may be seeking a simpler, lower-cost alternative to a 401(k) plan. Employees can elect to contribute pre-tax dollars through a salary reduction agreement up to the annual elective deferral limit, plus catch-up contributions for individuals age 50+. Employers are required to make contributions under one of two formulas:

– A “dollar-for-dollar” match, equal to 3% of an employee’s compensation. However, employers may reduce the match to as low as 1% in two out of every five years. If an employee opts not to defer compensation, the employer does not need to make an employer contributions on that employee’s behalf.

– A mandatory non-elective contribution of 2% of compensation for all eligible employees up to the annual compensation limit (see “retirement plans at-a-glance” chart for annual compensation caps). Non-elective contributions do not depend on an employee’s decision to defer compensation.

[1] The maximum annual employer contribution is the lesser of 25% of compensation or the annual compensation dollar limit. The effective contribution rate for an owner of an unincorporated business is 20%.

Qualified plans

Qualified plans permit employers and, in some cases employees, to make contributions that are held in a separate trust and invested until they are distributed to participants. The plan must be administered in accordance with plan documents and current rules.

Advantages
- Choice of vesting schedules is available to reward longer-term employees
- Forfeitures of nonvested amounts may be reallocated to remaining participants or applied to reduce future employer contributions
- Loans and/or hardship distributions can be made available to participants

Disadvantages
- Annual government filings are required (Form 5500), which typically increase administrative costs and require the services of a third-party administrator
- Coverage, nondiscrimination and "top heavy" tests generally must be performed to ensure that the plan does not favor highly compensated employees (some exceptions may apply)

Profit sharing plan

A profit sharing plan is for business owners seeking an employer-funded retirement plan with more flexibility in plan design than is available in a SEP-IRA, while still being able generally to contribute as much as 25% of an employee's compensation on a tax-deductible basis[1] (see "retirement plans at-a-glance" chart for annual dollar limits per plan). Contributions can be based on a percentage of profits or can be completely discretionary each year without regard to the level of profits.

A profit sharing plan is often established by a business looking for contribution flexibility and the benefits of a qualified plan. Contributions can be reduced in less profitable years so that the plan will not put a strain on the business' cash flow. Employees cannot make salary-deferral contributions unless a 401(k) provision is added.

Variations on traditional types of profit sharing plans

- **Age-weighted plans** allow employers to reward older employees by making contributions based on an employee's age as well as salary, giving these employees a chance to receive larger contributions than those received by younger workers. There are significant restrictions based on the Code's nondiscrimination requirements.
- **Cross-tested (new comparability) plans** set the contribution percentage formula for one category of participants greater than that for others. For this purpose, categories can be based on a variety of factors, including age ("age-weighted" as described above), compensation and longevity on the job, to name a few. To satisfy the Code's nondiscrimination requirements, cross-testing rules are applied to determine whether contributions, when converted into the projected benefits for each category of participants, meet the coverage requirements.

[1] For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation.

401(k) plan

A 401(k) plan is for employers who want their employees to share in some or all of the cost of funding the retirement plan. It is a type of profit sharing plan that allows employees to contribute pre-tax dollars through a salary deferral agreement. In addition, the employer may—but is not required to—make matching and/or discretionary contributions on a tax-deductible basis.

This type of retirement plan must meet additional nondiscrimination tests on plan contributions. These nondiscrimination tests (the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests) can limit the average percentage of compensation that Highly Compensated Employees (HCEs) can defer, generally speaking, to two percentage points more than the average percentage that non-highly compensated employees (NHCEs) defer. The ACP test also limits the amount of after-tax and matching contributions that can be made on behalf of HCEs.

Deductible employer contributions generally cannot exceed 25% of compensation,* up to the IRS annual dollar limit per plan participant. Employee contributions (other than after-tax, non-"Roth" contributions) are also subject to a separate annual dollar limit. In addition, a catch-up contribution is available for participants age 50 or older (see "retirement plans at-a-glance" chart).

A 401(k) feature can be added to an existing profit sharing plan as an enhancement, allowing pre-tax contributions by employees. Employees are always 100% vested in their own salary deferral contributions.

Variations on traditional 401(k) plans

- **Safe harbor 401(k) plan.** A safe harbor 401(k) plan is a design-based alternative to nondiscrimination testing. Employers can avoid ADP and ACP testing by making certain mandatory contributions and by complying with certain employee notification requirements. In exchange for satisfying these requirements, HCEs are permitted to make the maximum salary deferral contribution regardless of how much the NHCEs elect to defer.

- **Roth 401(k) feature.** 401(k) plans can elect to add a Roth 401(k) feature to the plan so that employees can take advantage of the benefits of making Roth salary deferral contributions. Roth 401(k) contributions are made on an after-tax basis, but the contributions and related earnings will be distributed tax-free if the account has been held for at least five years and the account holder is age 59½, deceased or disabled.

- **Owner-only 401(k) plan.** Self-employed individuals with no employees (other than owner-employees and their spouses) may be able to make a larger contribution to a 401(k) plan than to other types of defined contribution plans, depending on the compensation level of the self-employed individual.*

* For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation.

– **SIMPLE 401(k).** A 401(k) plan could convert to the SIMPLE form if it satisfies the contribution requirements applicable to a SIMPLE 401(k) plan, provides for 100% full and immediate vesting and the plan's sponsor does not contribute to another plan. Employee contributions are subject to a maximum dollar amount (see "retirement plans at-a-glance" chart). A catch-up contribution is available for participants age 50 or older.

Add-on cash balance plan

A defined benefit plan is for business owners seeking to provide employees with a predetermined benefit at retirement and/or to maximize plan benefits for older employees or employees with longer service.

The plan's annual deductible contributions may be greater than the 25% of compensation maximum allowed each year with a defined contribution plan.

A defined benefit plan requires the employer to contribute an amount actuarially determined each year to fund the annual benefit promised by the plan at retirement (maximum annual benefit beginning at retirement is the lesser of 100% of compensation or a specific dollar limit (see "retirement plans at-a-glance" chart)). This type of plan may be most appropriate for businesses with predictable earnings that want their older employees (with less time to accumulate retirement assets) or longer-service employees to benefit the most.

Employer contributions are required and are calculated each year by an actuary based on certain assumptions, including salary increases, mortality rates, vesting schedules, employee turnover and investment returns. Benefit levels are fixed, without regard to investment performance; therefore, the employer assumes the investment risk.

* For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation.

Call your Financial Advisor today

Sufficient retirement income for you and your employees at a reasonable cost to your business requires careful planning and investing

Your UBS Financial Advisor can work with you to:

- Discuss programs and solutions for your consideration and review
- Educate and guide you in setting up or changing your retirement plan offering
- Help you select and review your plan's investments to help ensure that they continue to meet your expectations and those of your employees

Retirement plans at-a-glance

A convenient side-by-side comparison of various retirement plans

Questions	Simplified Employee Pension Plan (SEP-IRA)	Savings Incentive Match Plan for Employees (SIMPLE IRA)
1. What kind of employer is most suited for this type of plan?	A smaller company or sole proprietor seeking a flexible employer contribution plan with easier setup and administration.	Generally, employers with 100 or fewer employees that do not currently contribute to a retirement plan. SIMPLEs are for businesses seeking to establish a 401(k)-type employee savings plan without the administrative costs and complexities typically associated with a 401(k) plan.
2. Who can establish this plan?	All types of employers.	All types of employers with 100 or fewer employees (earning at least $5,000) that do not currently contribute to a retirement plan. The "employer" for this purpose means the plan sponsor and its related companies (i.e., the sponsor and its related companies cannot, in the aggregate, have more than 100 employees or sponsor any retirement plan other than the SIMPLE-IRA).
3. What is the maximum limit on contributions?	Maximum annual contribution of 25% of compensation up to $69,000 per plan participant.[1, 2]	Eligible employees may make a salary deferral of up to $16,500 annually (with additional increases scheduled for subsequent years).[3] For smaller plans with no more than 25 employees, the maximum dollar limit for an employee's salary deferral is $17,600.[4] Employers are required to make either a matching or non-elective contribution. Employers cannot make additional contributions other than those required to be made under the applicable contribution formula.

[1] Indexed periodically for inflation.
[2] For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation for money purchase, profit sharing and SEP plans as well as for 401(k) plans for self-employed individuals with no employees (other than owners and their spouses).
[3] Employers may allow employees age 50 or older to contribute an additional amount to their employer-sponsored retirement plan accounts. These additional amounts are referred to as "catch-up" contributions. Participants age 50 or older may be allowed to make an annual $3,500 catch-up contribution. Employers may be able to make matching contributions based on the employees' catch-up contributions, subject to limitations. Higher deferral limits may apply (1) to employers with under 25 employees or (2) to employers with more than 25 employees but only if the employer elects to increase the required matching contribution from 3% to 4% or the non-elective contribution from 2% to 3%, subject to plan provisions.
[4] For employers with 26 or more employees these higher limits only apply if the employer elects to apply these limits; such employers would need to provide higher matching or non-elective employer contributions.

Questions	Simplified Employee Pension Plan (SEP-IRA)	Savings Incentive Match Plan for Employees (SIMPLE IRA)
4. What are catch-up contribution limits?	N/A	For participants age 50 or older by year end, the catch-up deferral contribution is $3,500. For smaller plans with no more than 25 employees, the maximum elective deferral catch-up contribution for participants age 50 and older at year end is $3,850.[5] For participants age 60–63 at year end, the maximum elective deferral catch-up contribution is $5,250.[6]
5. Are annual contributions required?	No	Yes
6. How are contributions/ benefits determined?	Contributions are discretionary from year to year and determined annually by the employer.	Employee contributions are determined annually by each employee. Employer contributions are required and are based on one of two formulas: a "dollar-for-dollar" match up to the lesser of the annual contribution limit or 3% of compensation (may be lower in two of five years, but not less than 1%), or a non-elective contribution of 2% of compensation (limited to $350,000; indexed periodically for inflation) for all eligible employees.
7. When must contributions be made?	By tax filing deadline plus extensions.	Employee contributions must be deferred as soon they can reasonably be segregated from Employer's general assets, but no later than 30 days after the last day of the month for which such contributions would have otherwise been payable to employees in cash. Employer contributions must be made by tax filing deadline plus extensions.
8. What are the eligibility requirements for participants?	Three years of service out of the last five years, 21 years of age and earnings of at least $750 annually (indexed periodically for inflation). Employer can choose to be less restrictive.	Two years of service with earnings of at least $5,000 in each year and compensation of at least $5,000 expected for the current year. Employer can choose to be less restrictive.

[5] For employers with 26 or more employees these higher limits only apply if the employer elects to apply these limits; such employers would need to provide higher matching or non-elective employer contributions.
[6] Beginning in 2025, the "catch-up" contribution limit is increased for participants aged 60–63 to 150% of the otherwise applicable "catch-up" contribution limit.

Questions	Simplified Employee Pension Plan (SEP-IRA)	Savings Incentive Match Plan for Employees (SIMPLE IRA)
9. How are distributions treated?	Generally, a distribution is taxed as ordinary income. A distribution may be rolled over to a traditional or Roth IRA,[7] another SEP-IRA, a qualified plan, a 403(b) plan or a trusteed governmental 457 plan.	A distribution is taxed as ordinary income. A distribution may be rolled over to another SIMPLE IRA, or after two years of participation in the SIMPLE IRA, to a traditional or Roth IRA,[8] SEP-IRA, qualified plan, 403(b) plan or trusteed governmental 457 plan. If taken within two years of participation, the distribution may be subject to a 25% penalty tax except to the extent it is properly rolled over.
10. What are the vesting requirements?	Immediate vesting upon entry into the plan.	Immediate vesting upon entry into the plan.
11. Are loans available?	No	No
12. When must the plan be established to obtain a tax deduction?	By the tax filing deadline, plus extensions, for the fiscal year.	Any time between January 1 and October 1, with a 60-day period for eligible employees to elect to participate in the plan.
13. How is the plan set up?	By (1) the adoption of a SEP IRA plan by the employer (IRS model or prototype) and (2) the establishment of a SEP-IRA account by each employee.	By (1) the adoption of a SIMPLE IRA plan by the employer (IRS model or prototype) and (2) the establishment of a SIMPLE-IRA account by each employee.

[7] Individuals are allowed to roll distributions from an employer-sponsored retirement plan directly to a Roth IRA subject to paying taxes on the portion of the distribution includable in income.
[8] Individuals who roll a distribution from a SIMPLE IRA to a Roth IRA after 2 years of participation in the SIMPLE IRA must pay taxes on the distribution from the SIMPLE IRA.

Questions	Profit sharing plan	401(k) plan
1. What kind of employer is most suited to this type of plan?	An employer seeking a more flexible retirement plan than a SEP-IRA. A SEP-IRA does not give the employer the flexibility to exclude employees working fewer than 1,000 hours per year, to use a vesting schedule or to make loans available.	An additional feature that can be added to profit sharing plans. May benefit larger employers seeking to share the cost of retirement funding with employees. Employer may match employee contributions and/or make discretionary contributions.
2. Who can establish this plan?	All types of employers.	All types of employers, except state and local governments.
3. What is the maximum limit on contributions?	Maximum annual contribution is 100% of compensation up to $70,000 per plan participant.[1] Employer's deduction for contributions it makes to plan is limited to 25% of total covered payroll.[2]	Eligible employees may make a salary deferral of up to $23,500 annually (with additional increases scheduled for subsequent years).[3] Combined employer and salary deferral contributions generally cannot exceed 100% of compensation up to $70,000 per plan participant.[1] Employer's deduction for matching and discretionary contributions it makes to a plan is limited to 25% of total covered payroll.[2]
4. What are catch-up contribution limits?	N/A	For participants 50 and older at year end, the maximum elective deferral catch-up contribution they may be allowed to make is $7,500. For participants aged 60–63 at year end, the maximum elective deferral catch-up contribution they may be allowed to make is $11,250.
5. Are annual contributions required?	Generally no, but contributions should be recurring and substantial.	Generally no, but depends on plan design.
6. How are contributions/ benefits determined?	Contributions may be partially or completely discretionary depending on the selections made by the employer when adopting the plan.	Employee contributions are determined annually by each employee. Employer matching or other contributions can be designed to be discretionary for maximum flexibility. Special nondiscrimination tests are required.

1 Indexed periodically for inflation.
2 For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation for money purchase, profit sharing and SEP plans as well as for 401(k) plans for self-employed individuals with no employees (other than owners and their spouses).
3 Employers may allow employees age 50 or older to contribute an additional amount to their employer-sponsored retirement plan accounts. These additional amounts are referred to as "catch-up" contributions. Participants in a 401(k) plan age 50 or older may be allowed to make an annual $7,500 catch-up contribution. Participants in a SIMPLE IRA or SIMPLE 401(k) plan age 50 or older may be allowed to make an annual $3,500 catch-up contribution. Employers may be able to make matching contributions based on the employees' catch-up contributions, subject to limitations.

Questions	Profit sharing plan	401(k) plan
7. When must contributions be made?	By tax filing deadline plus extensions.	Employee contributions must be deferred in the calendar year they would otherwise be received. Employee contributions (both pre-tax and after-tax contributions, as well as loan repayments from payroll withholding) must be deposited in the plan's trust as soon as they can reasonably be segregated from the employer's general assets. This generally means that they must be deposited within a few days of the related payroll date. A special 7-day safe harbor deadline applies to plans with fewer than 100 participants. Employer discretionary contributions must be made by tax filing deadline plus extensions.
8. What are the eligibility requirements for participants?	One year of service at 1,000 hours a year (with full and immediate vesting) and 21 years of age. Employer can choose to be less restrictive.	One year of service at 1,000 hours a year and 21 years of age. Employer can choose to be less restrictive.
9. How are distributions treated?	A distribution generally is taxed as ordinary income. The taxable portion (excludes after-tax contributions, if any) of a lump-sum distribution may be eligible for special tax treatment, however. The distribution may be rolled over to another qualified plan, a traditional or Roth IRA,[4] a SEP-IRA, a 403(b) plan or a trusteed governmental 457 plan.	A distribution generally is taxed as ordinary income. The taxable portion (excludes after-tax contributions, if any) of a lump-sum distribution may be eligible for special tax treatment, however. The distribution may be rolled over to another qualified plan, a traditional or Roth IRA,[4] a SEP-IRA, a 403(b) plan or a trusteed governmental 457 plan.
10. What are the vesting requirements?	If the eligibility requirement is greater than one year of service, a participant must be 100% vested upon entry into the plan. If the eligibility requirement is one year or less, a vesting schedule may be used.	Employee contributions are immediately 100% vested. Employer contributions that are not used to meet nondiscrimination tests may be subject to vesting schedules.
11. Are loans available?	Yes. If the plan permits loans, participants can generally borrow up to 50% of their vested interest in the plan, up to $50,000.	Yes. If the plan permits loans, participants can generally borrow up to 50% of their vested interest in the plan, up to $50,000.
12. When must the plan be established to obtain a tax deduction?	By tax filing deadline (including extensions) for the previous year for which a deduction is desired.	Plan documents need to be executed before employee contributions can be deferred either by tax filing deadline or with extensions for employer contributions.[5]
13. How is the plan set up?	Adoption of a plan and trust document or prototype by employer.	Adoption of a plan and trust document or prototype by employer or amendment of existing defined contribution plan to add a 401(k) feature.

[4] Individuals are allowed to roll distributions from an employer-sponsored retirement plan directly to a Roth IRA subject to paying taxes on the portion of the distribution includable in income.

[5] Pursuant to Section 201 of SECURE 1.0, the non-elective deferral portion of the plan can be adopted by the tax filing deadline (with extension) for the previous year for which a deduction is desired. The elective deferral portion only applies to 401(k) contributions made after the later of the date the employer adopts the plan or its effective date. As a practical matter, however, that means the plan must be adopted and made effective prior to the date any 401(k) contributions are made.

Questions	Safe harbor 401(k) plan	Owner-only 401(k) plan
1. What kind of employer is most suited to this type of plan?	An employer with an existing plan that is top heavy or has ADP testing problems or an employer that wants a 401(k) plan with simplified plan administration.	Business owners with no employees (other than owners and their spouses) who want to make the maximum contribution permitted in a defined contribution plan.
2. Who can establish this plan?	All types of employers, except state and local governments.	Business owners with no employees (other than owners and their spouses).
3. What is the maximum limit on contributions?	Eligible employees may make a salary deferral of up to \$23,500 annually (with additional increases scheduled for subsequent years).[1] Employers are required to make either a matching or non-elective safe harbor contribution. Employers can also make an enhanced non-safe harbor matching contribution. Combined employer and employee contributions generally cannot exceed 100% of compensation up to \$70,000 per plan participant.* Employer's deduction for matching and discretionary contributions it makes to a plan is limited to 25% of total covered payroll.[2]	The business owner may make a salary deferral of up to \$23,500 annually (with additional increases scheduled for subsequent years).[1] Combined employer and salary deferral contributions generally cannot exceed 100% of compensation up to \$70,000 per plan participant.* Employer's deduction for matching and discretionary contributions it makes to a plan is limited to 25% of total covered payroll.[2]
4. What are catch-up contribution limits?	For participants 50 and older at year end, the maximum elective deferral catch-up contribution they may be allowed to make is \$7,500. For participants aged 60–63 at year end, the maximum elective deferral catch-up contribution they may be allowed to make is \$11,250.	For participants 50 and older at year end, the maximum elective deferral catch-up contribution they may be allowed to make is \$7,500. For participants aged 60–63 at year end, the maximum elective deferral catch-up contribution they may be allowed to make is \$11,250.
5. Are annual contributions required?	Yes	Generally no, but contributions should be recurring and substantial.
6. How are contributions/ benefits determined?	Employee contributions are determined annually by each employee. Employer contributions are required and are based on one of two methods: either a 100% match on deferrals up to 3% of compensation, plus a 50% match on deferrals between 3% and 5% of compensation or a non-elective contribution of at least 3% of compensation.	Salary deferrals are determined annually by the business owner. Employer contributions are made based on plan design.

* Indexed periodically for inflation.

[1] Employers may allow employees age 50 or older to contribute an additional amount to their employer-sponsored retirement plan accounts. These additional amounts are referred to as "catch-up" contributions. Participants in a 401(k) plan age 50 or older may be allowed to make an annual \$7,500 catch-up contribution. Participants in a SIMPLE IRA or SIMPLE 401(k) plan age 50 or older may be allowed to make an annual \$3,500 catch-up contribution. Employers may be able to make matching contributions based on the employees' catch-up contributions, subject to limitations.

[2] For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation for money purchase, profit sharing and SEP plans as well as for 401(k) plans for self-employed individuals with no employees (other than owners and their spouses).

Questions	Safe harbor 401(k) plan	Owner-only 401(k) plan
7. When must contributions be made?	Employee contributions must be deferred in the calendar year for which they would otherwise be received. Employee contributions (both pre-tax and after-tax contributions, as well as loan repayments from payroll withholding) must be deposited in the plan's trust as soon as they can reasonably be segregated from the employer's general assets. This generally means that they must be deposited within a few days of the related payroll date. A special 7-day safe harbor deadline applies to plans with fewer than 100 participants. Employer contributions must be made by tax filing deadline plus extensions.	Salary deferrals must be made in the calendar year for which they would otherwise be received. Employer contributions must be made by tax filing deadline plus extensions.
8. What are the eligibility requirements for participants?	One year of service at 1,000 hours a year and 21 years of age. Employer can choose to be less restrictive.	Depends on plan design, but likely to allow for immediate entry into the plan.
9. How are distributions treated?	A distribution generally is taxed as ordinary income to the extent it exceeds the participant's basis. The taxable portion (excludes after-tax contributions, if any) of a lump-sum distribution may be eligible for special tax treatment, however. The distribution may be rolled over to another qualified plan, a traditional or Roth IRA,[3] a SEP-IRA, a 403(b) plan or a trusteed governmental 457 plan.	A distribution generally is taxed as ordinary income to the extent it exceeds the participant's basis. The taxable portion (excludes after-tax contributions, if any) of a lump-sum distribution may be eligible for special tax treatment, however. The distribution may be rolled over to another qualified plan, a traditional or Roth IRA,[3] a SEP-IRA, a 403(b) plan or a trusteed governmental 457 plan.
10. What are the vesting requirements?	Employee contributions and employer safe harbor contributions are immediately 100% vested. A vesting schedule may be used for enhanced non-safe harbor contributions made by the employer.	Salary deferrals are immediately 100% vested. Vesting of employer contributions is based on plan design, but likely to allow for immediate vesting.
11. Are loans available?	Yes. If the plan permits loans, participants can generally borrow up to 50% of their account balance, up to $50,000.	Yes. If the plan permits loans, participants can generally borrow up to 50% of their vested interest in the plan, up to $50,000.
12. When must the plan be established to obtain a tax deduction?	Generally for calendar year plans, a new plan must be established or an existing plan must be amended to a safe harbor 401(k) plan by October 1. In addition, employee notification requirements relating to contributions must be met.	The last day of the self-employed individual's taxable year (12/31 for calendar year plans) for which a deduction is desired. Plan documents need to be executed before employee contributions can be deferred.
13. How is the plan set up?	Adoption of a plan and trust document or prototype by employer.	Adoption of a plan and trust document or prototype by employer.

[3] Individuals are allowed to roll distributions from an employer-sponsored retirement plan directly to a Roth IRA subject to paying taxes on the portion of the distribution includable in income.

Questions	Add-on cash balance plan
1. What kind of employer is most suited to this type of plan?	Employers seeking to provide a specific benefit at retirement and/or to have larger contributions for older participants.
2. Who can establish this plan?	All types of employers.
3. What is the maximum limit on contributions?	No predetermined limit. Contributions are actuarially calculated and based on the plan's benefit formula. Maximum annual benefit beginning at retirement is the lesser of 100% of compensation or $280,000 (indexed periodically for inflation).
4. What are catch-up contribution limits?	N/A
5. Are annual contributions required?	Yes, as long as the plan has not reached the funding level at which contributions are no longer permitted by law.
6. How are contributions/ benefits determined?	Benefits are determined by a formula that takes age, years of service, compensation and other factors into consideration. Contributions are based on actuarial calculations.
7. When must contributions be made?	Quarterly contributions may be required. Full amount of the required contribution must be made by tax filing deadline plus extensions.
8. What are the eligibility requirements for participants?	One year of service at 1,000 hours a year (with full and immediate vesting) and 21 years of age. Employer can choose to be less restrictive.
9. How are distributions treated?	A distribution is generally taxed as ordinary income to the extent it exceeds the participant's basis. Also, the taxable portion of a distribution may be rolled over to another qualified plan, a traditional or Roth IRA,[3] a SEP-IRA, a 403(b) plan or a trusteed governmental 457 plan.
10. What are the vesting requirements?	If the eligibility requirement is greater than one year of service, a participant must be 100% vested upon entry into the plan. If the eligibility requirement is one year or less, a vesting schedule may be used.
11. Are loans available?	Yes. If the plan permits loans, participants can generally borrow up to 50% of their vested interest in the plan, up to $50,000.
12. When must the plan be established to obtain a tax deduction?	By tax filing deadlines, but in no event later than the plan's minimum funding deadline (generally $8^{1/2}$ months after the end of the plan year).
13. How is the plan set up?	Adoption of a plan and trust document or prototype by employer.

* Indexed periodically for inflation.

1 For the self-employed owner-employee, the limit on contributions, based on 25% of compensation after the plan contribution is deducted from earnings, is 20% of compensation for money purchase, profit sharing and SEP plans as well as for 401(k) plans for self-employed individuals with no employees (other than owners and their spouses).

2 Employers may allow employees age 50 or older to contribute an additional amount to their employer-sponsored retirement plan accounts. These additional amounts are referred to as "catch-up" contributions. Participants in a 401(k) plan age 50 or older may be allowed to make an annual $7,500 catch-up contribution. Participants in a SIMPLE IRA or SIMPLE 401(k) plan age 50 or older may be allowed to make an annual $3,500 catch-up contribution. Employers may be able to make matching contributions based on the employees' catch-up contributions, subject to limitations.

3 Individuals are allowed to roll distributions from an employer-sponsored retirement plan directly to a Roth IRA subject to paying taxes on the portion of the distribution includable in income.

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