

Sample Company
Retirement Plan Options

For the plan year
1-1-2016 through 12-31-2016

NH HICKS

LEGAL AND PENSION CONSULTANTS



Sample Company

Summary Illustration for Retirement Plans

For the Plan Year ending December 31, 2016

Sample Company has been building and remodeling homes in Butte County for the last 30 years. They are a full service general contracting company for any kind and all residential needs, from room additions, kitchen and bathroom remodels to the largest custom estate homes. Sample Company is located in Chico California, taxed as a C-Corporation and is owned by Owner (51%) and Spouse (49%). They currently do not sponsor a retirement program, but wishes to contribute for retirement while savings on taxes.

Illustration A – 3% Safe Harbor

Below is an illustration of a 401(k) plan with a 3% non-elective “safe harbor” contribution and profit sharing contribution to owners.

Participant	Comp	401(k)	3% SH	PS	Total
Owner	\$265,000	\$24,000	\$7,950	\$15,900	\$47,850
Spouse	30,000	24,000	900	1,800	26,700
Owners	\$295,000	\$48,000	\$8,850	\$17,700	\$74,550
Employee 1	64,000		\$1,920		\$1,920
Employee 2	28,000		840		840
Employee 3	33,000		990		990
Employee 4	80,000		2,400		2,400
Employee 5	42,000		1,260		1,260
Employees	\$247,000	\$0	\$7,410	\$0	\$7,410
Grand Total	\$542,000	\$48,000	\$16,260	\$17,700	\$81,960

- **Owners receive 91% of the employer contributions.**
- Owners defer the 401(k) maximum of \$24,000 (\$18,000 plus \$6,000 catch-up contribution).
- All participants receive a 3% of compensation safe harbor contribution, even if they terminate during the plan year. This “safe harbor” contribution will enable the plan to automatically pass discrimination tests and is 100% vested.
- Profit Sharing contribution is allocated by classes: Owners receive 6% of compensation and employees do not share in the profit sharing contribution.
- The plan provisions used for eligibility into the plan are as follows:
 - Age 21.
 - One year of employment in which the employee works at least 1000 hours.
 - Semi-annual entry dates of January 1 and July.

Illustration B – 3% Safe Harbor Plus Profit Sharing to Maximize Benefits

Below is an illustration of a 3% safe harbor with a profit sharing contribution to bring Owner to annual maximum of \$59,000.

Participant	Comp	401(k)	3% SH	PS	Total
Owner	\$265,000	\$24,000	\$7,950	\$27,050	\$59,000
Spouse	30,000	24,000	900	3,063	27,963
Owners	\$295,000	\$48,000	\$8,850	\$30,113	\$86,963
Employee 1	64,000		\$1,920	896	2,816
Employee 2	28,000		840	392	1,232
Employee 3	33,000		990	462	1,452
Employee 4	80,000		2,400	1,120	3,520
Employee 5	42,000		1,260	588	1,848
Employees	\$247,000	\$0	\$7,410	\$3,458	\$10,868
Grand Total	\$542,000	\$48,000	\$16,260	\$33,571	\$97,831

- Owners receive 89% of the employer contributions.
- Owners defer the 401(k) maximum of \$24,000 (\$18,000 plus \$6,000 catch-up contribution).
- All participants receive a 3% of compensation safe harbor contribution.
- Profit Sharing contribution is allocated by classes: Owners receive 10.21% of compensation and employees receive 1.4%.

Illustration C - Defined Benefit and 401(k) Plan

The table below illustrates the maximum contributions for 2016 under a combination plan design.

Participant	Comp	DB Plan		401(k) Plan		Total
		Cont.	401(k)	PS		
Owner	\$265,000	\$183,134	\$24,000	\$35,000	\$242,134	
Spouse	30,000	0	24,000	9,000	33,000	
Owners	\$295,000	\$183,134	\$48,000	\$44,000	\$275,134	
Employee 1	64,000	1,714		4,640	6,354	
Employee 2	28,000	308		2,030	2,338	
Employee 3	33,000	605		2,393	2,998	
Employee 4	80,000	1,415		5,800	7,215	
Employee 5	42,000	699		3,045	3,744	
Employees	\$247,000	\$4,741	\$0	\$17,908	\$22,649	
Grand Total	\$542,000	\$187,875	\$48,000	\$61,908	\$297,783	

- Owners receive 92.4% of all contributions.
- The Defined Benefit contribution shown above is the maximum allowable, so the plan can be designed with a lower contribution.

- The employer contributions to both plans total \$249,783 with \$187,875 going into the defined benefit plan and \$61,908 going into the 401(k) plan.
- The design shown above is a “super” combination. Owner receive the maximum allowable in the Defined Benefit, Spouse is not benefitting in this plan while the employees are receiving the minimum benefit of .5% of compensation.
- In the 401(k) plan, the employer contributions are a percentage of compensation and allocated by class: 13.2% for Owner, 30% for Spouse and 7.25% for the employees.

FEES

401(k) Plan

Installation of 401(k) Plan

Plan Document, forms and SPD	\$1,200
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Annual Administration

Base Fee	\$1,250
Per Participant Fee (7 @ \$30)	<u>210</u>
	\$1,460

Defined Benefit/401(k) Combination Design

Installation of Both Plans

Plan Documents, SPD and forms	\$2,500
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Annual Administration of both plans

Base Fee	\$3,350
Per Participant Fee (7 @ \$50)	<u>350</u>
	\$3,700

There are three ways to reduce your fees.

1. It is our policy here at NH Hicks to apply all third party payments we received from investment companies to our client’s annual administration fees, any other open invoices or used to credit their future fees.
2. Join our Client Referral Program. Give us a name and contact information for someone who needs our services and deduct \$50 off your fees now. We will contact the client and if they decide to use our services, we will credit an additional \$250 on your account.
3. There is a tax credit for employers to offset the startup cost and the cost of educating employees about the new plan. The credit is limited to 50% of the qualified start-up costs paid or incurred during the tax year, up to a maximum of \$500 per year for the first year and each of the following two tax years.

We appreciate this opportunity to propose our services.

NH HICKS
Legal and Pension Consultants
www.nhhicks.com

Sample Company
Proposal Date: 8/30/2016

Our Services

Installation fee is a one-time fee to establish the plans. We prepare all documents including:

- Proposal recommending different plan designs (All proposals are prepared at no cost),
- Plan and Trust Documents and Loan Policy,
- Required employee booklets "Summary Plan Description, and
- Administration Manual with the forms and procedures necessary to administer the plan.

Annual administration services include, but are not limited to:

- The reconciliation of employee census and investments statements,
- Performing all necessary discrimination tests,
- Calculating and allocating all contributions, earnings and applicable forfeitures,
- Preparation of reports for client and participants, and
- All governmental required forms and participant disclosures.

Our Firm

NH HICKS is fee only, third party pension administration and consulting firm that does not handle any investments or insurance. Founded in 1992, our company administers over 1,000 qualified retirement plans throughout California, Washington, Oregon, Colorado, Utah and Idaho.

We provide plan document installation, consultation, contribution calculations, compliance testing, and IRS and DOL reporting for qualified retirement. We've developed an administrative system that is designed to ensure superior quality while keeping costs competitive. Each client is assigned an administrator and a consultant. Our administrators have over 225 years of combined experience and each have been with the company for at least 10 years. The administrator handles all day-to-day concerns, while the consultant is available for working with the client and advisors to ensure each plan design is the best fit for the company's needs.

We value our client relationships and provide experienced personal service dedicated to your needs and concerns. If you have any questions or would like to meet, please contact us.

Respectfully Submitted,

Tom Hicks
President

Debbie Rath
Consultant

Employee Census

Sample Company 401(k) Plan

For the plan year 01/01/2016 through 12/31/2016

Key	Percent Owner	- SVC -		Gender	— Ages —			— Dates —				Compensation	Hours Worked	HCE	OEX
		PS	FS		PA	AA	RA	Birth	Hire	Part	Retire				
Spouse -- new participant															
Y	49.00	12	9	F	51	52	62	01/01/64	01/01/05	01/01/16	10/23/26	\$30,000.00		*	Y
Owner -- new participant															
Y	51.00	12	9	M	51	52	62	01/01/64	01/01/05	01/01/16	09/22/26	\$300,000.00		*	Y
Employee 6 -- ineligible - participation date in future period, anticipated participation 1/1/2017															
		1	0	M	39	39	0	02/27/77	08/20/15	01/01/17		\$68,000.00		*	
Employee 3 -- new participant															
		4	28	M	32	33	62	02/12/83	04/17/13	01/01/16	02/12/45	\$33,000.00		*	
Employee 7 -- ineligible - minimum service, anticipated participation 7/1/2017															
		1	0	M	0	38	0	04/29/78	04/25/16			\$28,000.00		*	
Employee 8 -- ineligible - participation date in future period, anticipated participation 1/1/2017															
		1	0	M	54	54	0	03/09/62	07/06/15	01/01/17		\$88,000.00		*	
Employee 9 -- ineligible - minimum service, anticipated participation 7/1/2017															
		1	0	M	0	32	0	05/07/84	05/31/16			\$42,000.00		*	
Employee 10 -- ineligible - participation date in future period, anticipated participation 1/1/2017															
		1	0	M	34	34	0	07/14/82	08/24/15	01/01/17		\$66,000.00		*	
Employee 11 -- ineligible - participation date in future period, anticipated participation 1/1/2017															
		1	0	M	49	49	0	10/26/67	10/21/15	01/01/17		\$40,000.00		*	
Employee 12 -- ineligible - participation date in future period, anticipated participation 1/1/2017															
		1	0	M	46	46	0	11/18/70	11/24/15	01/01/17		\$64,000.00		*	
Employee 5 -- new participant															
		2	30	M	30	31	62	02/11/85	10/08/14	01/01/16	02/11/47	\$42,000.00		*	
Employee 4 -- new participant															
		7	28	M	32	33	62	11/29/83	12/21/09	01/01/16	11/29/45	\$80,000.00		*	
Employee 1 -- new participant															
		4	20	M	40	41	62	05/08/75	04/17/13	01/01/16	05/08/37	\$64,000.00		*	
Employee 2 -- new participant															
		2	38	M	22	23	62	08/07/93	06/30/15	07/01/16	08/07/55	\$28,000.00		*	

Participants at Beginning of Plan Year	0	Census Count	14
New Participants on First Day of Year	6	Total Compensation	\$973,000.00
New Participants During Year	1		
Retired or Separated Without Any Future Benefits	0		
Participants at End of Year	7		

* Employee worked more than minimum hours required for contribution

Key:	
AA=Attained Age	PA=Participation Age
FS=Future Service	PS=Past Service
HCE=Highly Compensated Employee	RA=Retirement Age
OEX=Otherwise Excludable	