



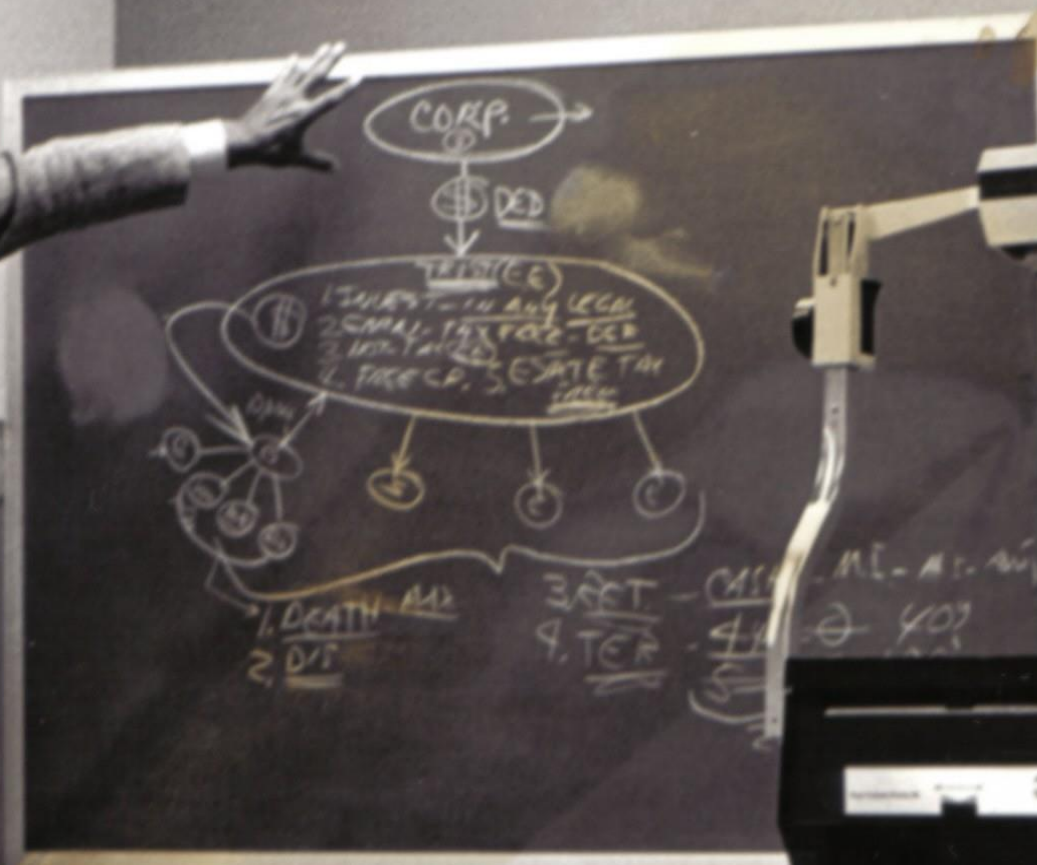
Chris Ressa

NH HICKS

Legal and Pension Consultants

Qualified Plans in Today's Environment
Defined Contribution & Defined Benefit Plans
November 2024

Experience Counts



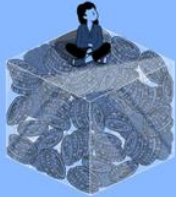
Defined Contribution/Defined Benefit Webinar Agenda

- DC/DB Overview
- 2025 Table of Limits
- DC Non-Discrimination Testing
- Safe Harbor Plans
- 2025 Automatic Enrollment Provision
- Voluntary After-Tax Contributions with In-Plan Roth Rollovers
- Owner Only Plan Comparisons
- Small Plan Comparisons
- Key Defined Benefit Terminology
- Combination DC/DB Case Studies
- Working With NH Hicks Team



Poll Question #1
Which topic are you most excited about discussing?

DEFINED BENEFIT



Defined -Benefit Plan

[di-'fɪnd 'be-nə-'fɪt 'plæn]

An employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history.

DEFINED CONTRIBUTION



Defined Contribution Plan

[di-'fɪnd kən-tra-'byū-shən 'plæn]

A retirement plan funded by employees and their employers that doesn't promise a specific amount of benefits.



Lump-Sum Payment

['lʌmp 'sʌm 'pæ-mənt]

A monetary sum paid all at once rather than in installments.

TRUST

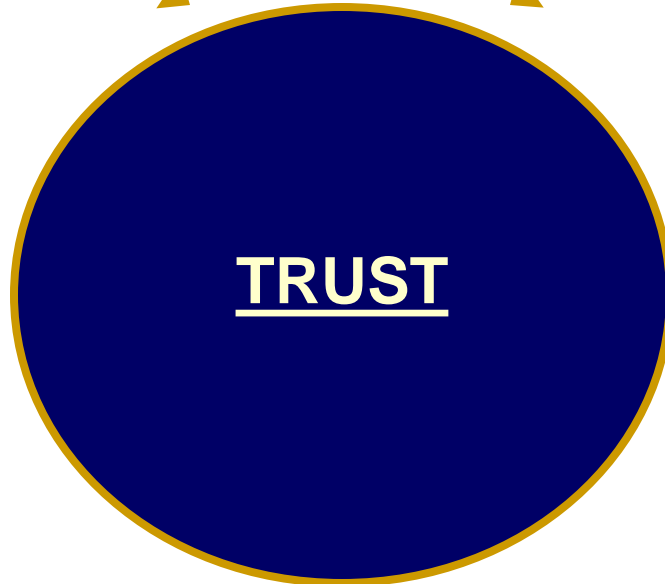
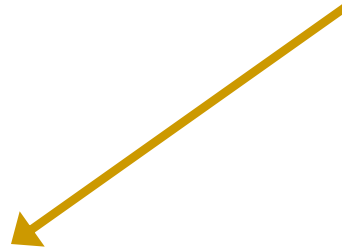
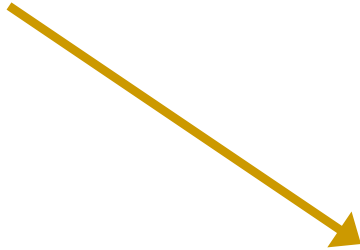
- Deposits not taxed to employee
- Tax Deferred Growth
- Protected from creditors

DEFINED CONTRIBUTION

401(k)

MATCH
401(k)

PROFIT
SHARING



TRUST

**DISCRIMINATION
TESTING**

**ELIGIBILITY
ENTRY
VESTING**

SAFE HARBOR

ALLOCATION METHODS



Eligibility

ELIGIBILITY

- Age 21
- 1 Year
- 1000 hours a year
- LTPT 500 hours in 2 years*
- Union Employees
- Non-Resident Aliens
- 30% Job Class Exclusion

ENTRY DATES

- January 1st & July 1st

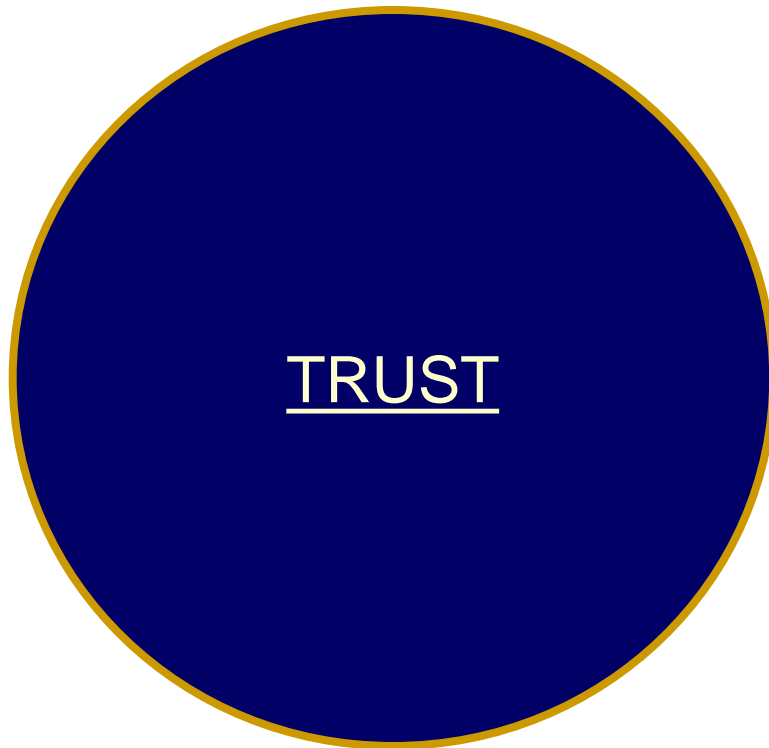
VESTING

- 6 Years (0%-20%-40%-60%-80%-100%)

TRUST

* Eligibility for LTPT employees' access to defer into the retirement plan but depends on plan document provisions if they become eligible for employer contributions.

(k) Distribution Strategies



Distributions

100% VESTED UPON

- Death
- Retirement
- Disability

TERMINATIONS

- 2025 Force-outs \$7k

LOANS

HARDSHIPS

IN-SERVICE WITHDRAWALS

- 59 ½ Deferrals/QNEC
- Before 59 ½

Allocation Methods



Profit Sharing

0-25%
eligible compensation

TRUST

ALLOCATION

- Proportional
- SS Integration
- Age Weighted
- New Comparability

Allocation Comparisons

Assumptions		25% Salary Proportional	Age Weighted	New Comp.
Age	Salary			
*55	\$50,000	\$12,500	\$31,098	\$28,750
50	50,000	12,500	20,681	6,000
*45	50,000	12,500	13,754	28,750
40	50,000	12,500	9,147	6,000
35	50,000	12,500	6,083	6,000
30	50,000	12,500	4,046	6,000
25	50,000	12,500	2,691	6,000
	\$350,000	\$87,500	\$87,500	\$87,500

Required to pass Average Benefits Test (ABT)

* Denotes ownership group classing

Table of Limits



	2024	2025
<u>COMPENSATION LIMIT</u> - plan year beginning	345,000	350,000
<u>DC ANNUAL ADDITION LIMIT</u> - plan year ending	69,000	70,000
<u>401(k) DEFERRAL LIMIT</u> - calendar not plan year	23,000	23,500
<u>CATCH-UP DEFERRAL LIMIT</u> - calendar not plan year	7,500	7,500
<u>CATCH-UP LIMIT AGES 60 TO 63</u> - calendar not plan year	N/A	11,250
<u>DB ANNUAL BENEFIT LIMIT</u>	275,000	280,000
<u>HIGHLY COMPENSATED EMPLOYEE (ADP/ACP)</u>		
<i>Employee is considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.</i>		
1) Over 5% owner		
2) Any employee (may limit to top 20%)	155,000	160,000
3) Spouse or linear relation		
<u>KEY EMPLOYEE (Top Heavy)</u>		
<i>Employee is considered key if meets definition in current plan year.</i>		
1) Over 5% owner		
2) Over 1% owner	150,000	150,000
3) Officer (count at least 1)	220,000	230,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE (EE 6.2% / ER 6.2%)</u>	168,600	176,100



Discrimination Tests

ADP/ACP Test

Typically, NHCE avg. + 2% = HCE max avg.

NHCE%

5

10

0

5

5% avg. + 2% = 7% max HCE avg.

Prior year method on first plan year

3% assumption + 2% = 5%

40%- non-key

60%+ key

Top-Heavy

ADP Test Example

Employee	Compensation	Deferral
Orville*	\$100,000	\$23,000 (23%)
Wilbur*	\$100,000	\$4,000 (4%)
(27% / 2 = 13.5% HCE Average)		
Richthofen	\$50,000	\$5,000 (10%)
Amelia	\$50,000	\$0 (0%)
Doolittle	\$50,000	\$2,500 (5%)
(15% / 3 = 5% NHCE Average)		
NHCE Average 5% + 2% = 7% \leq 13.5% FAIL		

Typical correction for a failed ADP Test is a return of deferral contribution back to the HCEs. A 1099R would need to be filed for the amount returned.

* Denotes ownership group classing

Top-Heavy Example

Employee	Compensation	Account	QNEC 3%
Orville*	\$100,000	\$125,000	
Wilbur*	\$100,000	\$85,000	
Total Key Employee Account Balance: \$210,000			
Richthofen	\$50,000	\$75,000	\$1,500
Amelia	\$50,000	\$20,000	1,500
Doolittle	\$50,000	\$10,000	<u>1,500</u>
Total Non-Key Account Balance: \$105,000			\$4,500
$\$K/\$P \quad \$210,00/\$315,000 = 66.7\% \geq 60\% \text{ FAIL}$			

Typical correction for a failed Top-Heavy Test is a Qualified Non-Elective Contribution of 3% to the Non-Key employees, which would be 100% vested. In this example the employer would need to fund \$4,500 into Non-Key employee accounts.

* Denotes ownership group classing

SAFE HARBOR PLANS

401(k)

MATCH
401(k)

PROFIT
SHARING

4% Match

3% Contribution

100% up to \$23,000
(age 50 - \$7,500 catch-up)

DISCRIMINATION TESTING

- ADP Test
- Top-Heavy

ELIGIBILITY
ENTRY
VESTING

TRUST

ALLOCATION METHODS

SAFE HARBOR

- 100% VESTED
- NEW PLANS MUST EXIST FOR AT LEAST 90 DAYS
- TERMINATED PARTICIPANTS RECEIVE CONTRIBUTION

4% Match vs. 3% NEC Safe Harbor

Compensation		401(k)	4% SH Match	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$13,800	\$36,800	\$66,760
Spouse	\$24,000	\$23,000	\$960	\$23,960	\$60,760
EE1	\$50,000	\$2,000	\$2,000	\$2,000	91%
EE2	\$50,000	\$2,000	\$2,000	\$2,000	\$6,000
EE3	\$50,000	\$2,000	\$2,000	\$2,000	9%

Compensation		401(k)	3% SHNEC	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$10,350	\$33,350	\$61,570
Spouse	\$24,000	\$23,000	\$720	\$23,720	\$57,070
EE1	\$50,000	\$2,000	\$1,500	\$1,500	93%
EE2	\$50,000	\$2,000	\$1,500	\$1,500	\$4,500
EE3	\$50,000	\$2,000	\$1,500	\$1,500	7%

* Assumption for this illustration is that everyone is under age 50, using 2024 contribution limits.

4% Match vs. 3% NEC Safe Harbor

Compensation		401(k)	4% SH Match	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$13,800	\$36,800	\$66,760
Spouse	\$24,000	\$23,000	\$960	\$23,960	\$60,760
EE1	\$50,000	\$2,000	\$2,000	\$2,000	91%
EE2	\$50,000	\$2,000	\$2,000	\$2,000	\$6,000
EE3	\$50,000	\$2,000	\$2,000	\$2,000	9%

1/3 Gateway Test

Compensation		401(k)	3% SHNEC	Profit Sharing	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$10,350	\$20,700 (6%)	\$54,050	\$82,270
Spouse	\$24,000	\$23,000	\$720	0 (0%)	\$23,720	\$77,770
EE1	\$50,000	\$2,000	\$1,500		\$1,500	95%
EE2	\$50,000	\$2,000	\$1,500		\$1,500	\$4,500
EE3	\$50,000	\$2,000	\$1,500		\$1,500	5%

* Assumption for this illustration is that everyone is under age 50, using 2024 contribution limits.

4% Match vs. 3% NEC Safe Harbor

Compensation		401(k)	4% SH Match	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$13,800	\$36,800	\$66,760
Spouse	\$24,000	\$23,000	\$960	\$23,960	\$60,760
EE1	\$50,000	\$2,000	\$2,000	\$2,000	91%
EE2	\$50,000	\$2,000	\$2,000	\$2,000	\$6,000
EE3	\$50,000	\$2,000	\$2,000	\$2,000	9%

Owner to DC Max / 5% Corridor

Compensation		401(k)	3% SHNEC	Profit Sharing	ER Cost Total	Total
Owner	\$345,000	\$23,000	\$10,350	\$35,650 (10.3%)	\$69,000	\$100,220
Spouse	\$24,000	\$23,000	\$720	0 (0%)	\$23,720	\$92,720
EE1	\$50,000	\$2,000	\$1,500	\$1,000 (2%)	\$2,500	93%
EE2	\$50,000	\$2,000	\$1,500	\$1,000 (2%)	\$2,500	\$7,500
EE3	\$50,000	\$2,000	\$1,500	\$1,000 (2%)	\$2,500	7%

* Assumption for this illustration is that everyone is under age 50, using 2024 contribution limits.



SAFE HARBOR PLANS

Qualified Automatic Contribution Arrangement (QACA) Safe Harbor Match Plan

- ❖ **Automatic Enrollment** at 3% of compensation
- ❖ **Auto-Deferral Increase** of 1% each year up to minimum of 6% with cap at 10%
- ❖ **SH Matching Contributions** of 100% of first 1% & 50% of next 5%
- ❖ **Vesting** allows for two-year graded vesting (50% - 100%)

Secure 2.0 Automatic Enrollment Legislation

- ❖ **Requirement** for plans established after 12/29/22 starting 1/1/25
- ❖ **Exemptions** plans establish before 12/29/22, 10 employees or less, or new businesses less than 3 years old
- ❖ **Automatic Enrollment** at 3% of compensation
- ❖ **Auto-Deferral Increase** of 1% each year up to minimum of 10% with cap at 15%
- ❖ **Vesting** is not affected by this legislation

Voluntary After-Tax Contributions

Understanding the Concept

- ❖ **Participant contributions** to the retirement plan made **after income taxes** have been paid
- ❖ When paired with an **in-plan Roth conversion** allows participants to convert their after-tax contributions to a **Roth account** within the same retirement plan
- ❖ Provides benefits for retirement plan participants seeking to **fully utilize their tax-advantaged contribution** opportunities within the annual **defined contribution limits**
- ❖ **Example**

Participant: John Smith / Comp \$250,000/Yr

Deferral (Pre-tax or Roth)	\$23,000
4% Match	\$10,000
After-tax Contribution with In-Plan Roth Conversion	\$36,000
2024 Defined Contribution Limit	\$69,000

* Assumption for this illustration is that the participant is under age 50, using 2024 contribution limits.

Voluntary After-Tax Contributions

When Does It Work?

- ❖ **Plan demographics** will determine **IF** the After-Tax Contributions can be added to a retirement plan and **pass testing**
- ❖ **Voluntary After-Tax Contributions** for **testing purposes** are classified in the same category as **employer matching contributions** to pass the Actual Contribution Percentage (ACP) Test
- ❖ Therefore, for the **ACP Test**, the **average after-tax contribution percentage for the Highly Compensated Employees (HCEs)** is tested against the average after-tax contribution percentage for the Non-Highly Compensated Employees (NHCEs)
- ❖ **Favorable** plan demographics
 - **Owner-Only Plans**
 - Plans with **only Highly Compensated Employees (HCEs)**
 - Larger companies with a significant percentage of **their employees are highly compensated** and they use the **HCE limit definition of the top 20%**
 - **Example**
 - **NHCE:** 20% Compensation Under \$155k / 60% Over \$155k But Not Top 20% of Compensation
 - **HCE:** Top 20% Compensation Over \$155k

SEP vs. SOLO(k)

Comp.	25% SEP	25% PS + 401(k)
\$276,000	\$69,000	\$69,000
Total	\$69,000	\$69,000

\$276,000 Break Even SEP vs. 401(k) with \$69,000 Contribution

* This illustration is using 2024 contribution limits.

SEP vs. SOLO(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000 Owner 57	\$25,000	\$25,000 +30,500
Total	\$25,000	\$55,500

* This illustration is using 2024 contribution limits.

SEP vs. SOLO(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000 Owner 57	\$25,000	\$25,000 +30,500
\$40,000 Spouse 57	\$10,000	\$10,000 +30,500
Total	\$35,000	\$96,000

* This illustration is using 2024 contribution limits.

SEP vs. SOLO(k) vs. DB vs Combo

Comp.	25% SEP	25% PS + 401(k)	DB	DB + 401(k)
\$100,000 Owner 57	\$25,000	\$25,000 +30,500	\$272,700	\$309,200
\$40,000 Spouse 57	\$10,000	\$10,000 +30,500	\$248,000	\$280,900
Total	\$35,000	\$96,000	\$520,700	\$590,100

* This illustration is using 2024 contribution limits.

Plan Comparisons

	25% SEP
Owner 57 \$100,000	\$25,000
Spouse 57 \$40,000	\$10,000
Jack 30 \$50,000	\$12,500
Jill 25 \$50,000	\$12,500
ER Cont	\$35,000
EE Cont	\$25,000
ER %	58%

* This illustration is using 2024 contribution limits.

Plan Comparisons

	25% SEP	3% Match SIMPLE
Owner 57 \$100,000	\$25,000	\$3,000 +19,500
Spouse 57 \$40,000	\$10,000	\$1,200 +19,500
Jack 30 \$50,000	\$12,500	\$1,500 +16,000
Jill 25 \$50,000	\$12,500	\$1,500 +16,000
ER Cont	\$35,000	\$43,200
EE Cont	\$25,000	\$3,000
ER %	58%	94%

* This illustration is using 2024 contribution limits.

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS
Owner ⁵⁷ \$100,000	\$25,000	\$22,500	\$38,500 +30,500
Spouse ⁵⁷ \$40,000	\$10,000	\$20,700	\$14,000 +30,500
Jack ³⁰ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000
ER Cont	\$35,000	\$43,200	\$113,500
EE Cont	\$25,000	\$3,000	\$5,000
ER %	58%	94%	96%

* This illustration is using 2024 contribution limits.

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB
Owner ⁵⁷ \$100,000	\$25,000	\$22,500	\$69,000	\$366,300
Spouse ⁵⁷ \$40,000	\$10,000	\$20,700	\$44,500	\$117,800
Jack ³⁰ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000	\$60,300
Jill ²⁵ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000	\$44,300
ER Cont	\$35,000	\$43,200	\$113,500	\$484,100
EE Cont	\$25,000	\$3,000	\$5,000	\$104,600
ER %	58%	94%	96%	82%

* This illustration is using 2024 contribution limits.

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB	DB/401(k) Combo
Owner ⁵⁷ \$100,000	\$25,000	\$22,500	\$69,000	\$366,300	\$366,300 +30,500
Spouse ⁵⁷ \$40,000	\$7,500	\$20,700	\$44,500	\$117,800	\$117,800 +30,500
Jack ³⁰ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000	\$60,300	\$6,850 +23,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +16,000	\$2,500 +23,000	\$44,300	\$6,850 +23,000
ER Cont	\$32,500	\$43,200	\$113,500	\$484,100	\$545,100
EE Cont	\$25,000	\$3,000	\$5,000	\$104,600	\$13,700
ER %	57%	94%	96%	82%	98%

* This illustration is using 2024 contribution limits.

Defined Benefit Plan



General Assumptions

Age 48	NRA* 62	Life Exp. 85
Comp. \$225,000	Fund \$2,852,000	Pay \$225,000

Requires \$153,000 contribution

- DB Chart
- Retirement age
- Permanency
- Interest rates
- Investment return goal
- Funding min-max range
- Overfunded/Underfunded
- Funding limit
- Unable to fund
- Freezing
- Terminating

*NRA stands for Normal Retirement Age

2024 Defined Benefit Contribution Table

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	45,127	75,212	91,579	91,579	91,579	91,579	91,579	91,579	91,579
34	49,403	82,338	100,969	100,969	100,969	100,969	100,969	100,969	100,969
36	54,083	90,139	111,328	111,328	111,328	111,328	111,328	111,328	111,328
38	59,207	98,679	122,755	122,755	122,755	122,755	122,755	122,755	122,755
40	64,817	108,029	135,351	135,351	135,351	135,351	135,351	135,351	135,351
42	70,992	118,320	149,248	149,248	149,248	149,248	149,248	149,248	149,248
44	77,787	129,646	164,595	164,595	164,595	164,595	164,595	164,595	164,595
46	85,217	142,028	181,541	181,541	181,541	181,541	181,541	181,541	181,541
48	93,339	155,566	200,253	200,253	200,253	200,253	200,253	200,253	200,253
50	102,220	170,366	220,910	220,910	220,910	220,910	220,910	220,910	220,910
52	111,928	186,548	243,717	243,717	243,717	243,717	243,717	243,717	243,717
54	122,543	204,239	268,985	268,985	268,985	268,985	268,985	268,985	268,985
56	134,148	223,580	296,955	296,955	296,955	296,955	296,955	296,955	296,955
58	137,621	229,369	310,921	310,921	310,921	310,921	310,921	310,921	310,921
60	131,385	218,976	301,092	301,092	301,092	301,092	301,092	301,092	301,092
62	124,894	208,158	291,420	319,960	319,960	319,960	319,960	319,960	319,960
64	118,125	196,876	275,625	341,887	351,937	351,937	351,937	351,937	351,937

- Contributions based on NRA 62 and 5 Years of Participation.
- Net Comp is W-2 wages, or self-employment income less self-employment tax deduction and pension deduction for the self employed and his/her share of any employee cost.
- Contribution amounts may be less when using a DB/DC Combo design.



Defined Benefit Terminology

Permanency

- ❖ The concept of “**permanency**” in a Defined Benefit (DB) plan refers to the requirement that the plan is intended to be an ongoing commitment with a target of 10 years.
- ❖ In common practice, a DB plan with a **legitimate business reason** can terminate within 3 – 5 years.

Individual Lifetime DB Limit

- ❖ The IRS sets an annual limit for the **maximum annual benefit** payable to a participant from a DB plan at retirement (typically age 65). For example, in 2024 the maximum limit is the **lesser of \$275,000 or 100% of the participant's highest three consecutive year average of earnings**.
- ❖ If the DB plan offers a **lump sum distribution**, then the annual benefit will be converted by actuarial calculation to an equivalent lump sum, which for 2024 was estimated as **\$3.2 million**.

Defined Benefit Terminology



Crediting Interest Rate

- ❖ The “**crediting interest rate**” in a DB plan refers to the rate used to determine how much interest is credited to a participants’ hypothetical accounts. The typical crediting rate in DB plans is around 5%.

Investment Return Goal

- ❖ The “**investment return goal**” in a DB plan is the **target rate of return** that the plan’s assets are expected to achieve to ensure it has enough funds **to pay for futured promised participant retirement benefits**.
- ❖ The **typical DB plan target return range** is between **5% - 7%**.
- ❖ The **investment return goal** directly affects the amount of contributions required from the employer. If **actual returns fall short** of the target over time, the plan may face a funding shortfall (“**underfunded**”), requiring **increased employer contributions**. Conversely, if **returns exceed** the target, the plan maybe “**overfunded**”, which can **reduce future funding contributions**.

Defined Benefit Case Studies



CASE STUDY

Plan Summaries

❖ Case Study #1

- Doctor office with one doctor owner 49 years old
- Three full-time employee support staff

❖ Case Study #2

- Manufacturing distributors with owner 35 years old and spouse 31 years old
- Three full-time warehouse employees

❖ Case Study #3

- Agricultural supply store with majority sibling owners with the brother 50 years old and the sister 52 years old
- 50 employees ranging from warehouse workers, in-store service/cashiers, and middle management

Poll Question #2

From the above information, which Case Study would yield the best combination DC/DB funding contribution results for the owners?



Defined Benefit Case Studies

Case Study #1 Results

❖ Case Study #1

- Doctor office with one doctor owner 49 years old
- Three full-time employee support staff

Participant	Age	Comp	401(k) Deferral	401(k) Profit Sharing	Theoretical 1st Yr DB Contribution	Total Contribution Summary	% of Total Benefits
Owner	49	\$350,000	\$23,500	\$100*	\$130,000	\$153,600	66%
3 EE Totals	Avg 55	Avg \$115,000		\$62,000	\$16,500	\$78,500	34%
Total		\$695,000	\$23,500	\$62,100	\$146,500	\$232,100	100%

❖ Key Result Factor

- The **individual ages** of the three employees were on average **6 years older** than the owner with an **average compensation of \$115,000**.

*Typical actuarial crediting rate for a DB plan is 5% and for a DC plan is 8.5%. Inverse relationship between a lower crediting rate means higher employer contributions, and higher crediting rate means lower employer contributions.



Defined Benefit Case Studies

Case Study #2 Results

❖ Case Study #2

- Manufacturing distributors with owner 35 years old and spouse 31 years old
- Three full-time warehouse employees

Participant	Age	Compensation	DB	401(k) Def	401(k) PS	Total Contributions	% of Total Benefits
Owner	35	\$350,000	\$160,000	\$23,500	\$100	\$183,600	56.5%
Spouse	31	\$350,000	\$105,000	\$23,500	\$100	\$128,600	39.6%
Owner Totals	Avg 33	\$700,000	\$265,000	\$47,000	\$200	\$312,200	96.1%
3 Employees	Avg 30	Ave \$40,000	\$2,350		\$10,250	\$12,600	3.9%
Total		\$820,000	\$267,350	\$47,000	\$10,450	\$324,800	100%

❖ Key Result Factors

- The **individual ages** of the three employees were on average **3 years younger** than the average age of the owners with an **average compensation of \$40,000**.
- **Both** the owner and spouse having a **maximum defined benefit compensation of \$350,000**.
- **Note:** Annual Defined Benefit plan contributions are **dependent and may vary based on various factors** each year such as compensation, years of service, rate of return in the DB trust, changes in tax laws, owners age, etc.



Defined Benefit Case Studies

Case Study #3 Results

❖ Case Study #3

- Agricultural supply store with majority sibling owners with the brother 50 years old and the sister 52 years old
- 50 employees ranging from warehouse workers, in-store service/cashiers, and middle management

Participant	Age	Compensation	DB	401(k) Def	401(k) SH 3%	401(k) PS	Total Contributions	% of Total Benefits
45% Owner Brother	50	\$250,000	\$225,000	\$31,000	\$0	\$100	\$256,100	24.5%
45% Owner Sister	52	\$250,000	\$225,000	\$31,000	\$0	\$100	\$256,100	24.5%
10% Owner Dad	73	\$100,000	\$300,000	\$31,000	\$0	\$100	\$331,100	31.7%
Owner Totals	Avg 58	\$600,000	\$750,000	\$93,000	\$0	\$300	\$843,300	80.8%
General Manager	42	\$110,000	\$2,200		\$3,300	\$20,000	\$25,500	2.4%
49 Employees	Avg 38	Avg \$40,000	\$39,200		\$58,800	\$77,175	\$175,175	16.8%
EE Totals			\$41,400		\$62,100	\$97,175	\$200,675	19.2%
Total		\$2,670,000	\$791,400	\$93,000	\$62,100	\$97,475	\$1,043,975	100%

❖ Key Result Factors

- Having the ability to make large contributions to **three people in the ownership group.**
- The ownership group have **additional goals of succession planning for “10% Owner Dad”** and extra **contributions to key “General Manager”** employee.
- **Individual ages** of the 50 employees on average age of **is 20 years younger** than ownership group.



Plan Set Up Deadline

Adding a Safe Harbor Match 401(k) Plan for January 1, 2025

- **December 1, 2024:** Employees 30-day notice requirement
- **December 31, 2024:** Completed plan document

Adding a Safe Non-Elective 401(k) Plan

- **December 1, 2024:** This is the deadline to add the safe harbor non-elective provision for the **2024 plan year** and keep the required company contribution at **3%** of pay.
- **December 31, 2025:** You have until the end of next year to add a **safe harbor non-elective feature for 2023**, but the required company contribution increases from **3% to 4%** of pay.

Adding a New Profit-Sharing Plan (Partnership & S-Corp) for 2024

- Deadline: **September 15, 2025**

Adding a New Profit-Sharing Plan (C-Corp) for 2024

- Deadline: **October 15, 2025**

Adding a New Defined Benefit Plan for 2024

- Deadline: **September 15, 2025**

Adding a New 401(k) Plan for Sole Proprietor for 2024

- Deadline: **October 15, 2025**

Defined Contribution/Defined Benefit Webinar Agenda

- DC/DB Overview
- 2025 Table of Limits
- DC Non-Discrimination Testing
- Safe Harbor Plans
- 2025 Automatic Enrollment Provision
- Voluntary After-Tax Contributions with In-Plan Roth Rollovers
- Owner Only Plan Comparisons
- Small Plan Comparisons
- Key Defined Benefit Terminology
- Combination DC/DB Case Studies
- Working With NH Hicks Team



Defined Contribution Plan
[di-'fɪnd .kən-'trɪ-bjū-'ʃən 'plæn]
A retirement plan funded by employees and their employers that doesn't promise a specific amount of benefits.



Defined -Benefit Plan
[di-'fɪnd 'be-nə-'fɪt 'plæn]
An employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history.



Lump-Sum Payment
['lʌmp 'sʌm 'pæ-'mənt]
A monetary sum paid all at once rather than in installments.

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