

VANGUARD & NH HICKS

Unlocking The Creativity Of Owner-Only
Retirement Plan Business

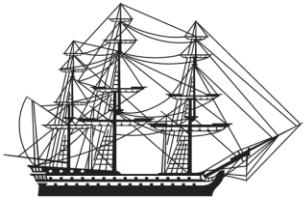
Advisor Coaching Workshop

December 18th, 2025



People Matter & Experience Counts

Presenters



Vanguard®

NH HICKS
LEGAL AND PENSION CONSULTANTS

Ron VanRell (480) 713-7011 ronald_vanrell@vanguard.com

- o 25 years as a Vanguard veteran
- o Has held multiple sales and leadership positions
- o QKA and QKC American Society of Pension Professionals & Actuaries (ASPPA) designations

Chris Ressa (916) 316-5932 cressa@nhhicks.com

- o 2nd year as a TPA consultant with NH Hicks
- o 15 years as an advisor focused on selling and managing retirement plans
- o 19 years as an educator and coach



Owner Only Retirement Plan Business Webinar Agenda

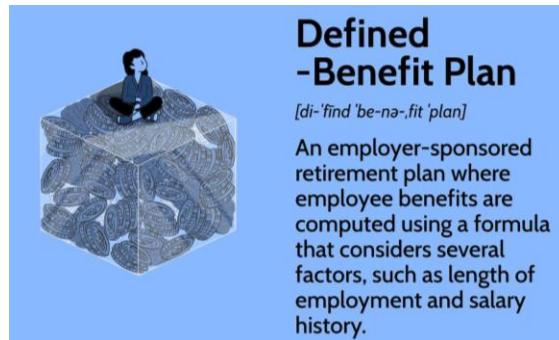
- Value In Pursuing Owner Only Retirement Plan Business
- Owner Only Plans Special Features
- Now Is A Great Time For This Discussion
- Owner Only Illustrations



Mega Backdoor Roth 401(k) Conversion

[mē-gă băk'-dôr rōth ,fôr-(j)ō-(j)wān-’kă kăn-’vär-zhān]

A loophole enabling high-income earners to transfer certain types of 401(k) contributions into a Roth.



Defined Benefit Plan

[di-’fīnd ’be-nă-fit ’plan]

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 Plan

[di-’fīnd ,kān-tră-’byü-’shān ’plan]

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

Value In Pursuing Owner Only Retirement Plans Business

- **Enhance Business Owner Relationship**
 - Introductory Conversation
 - Existing Client In Other Lines Of Business
 - Protect Business Owner Relationship From Other Advisors
 - Larger Accounts Into Your PWM Custodian Accounts
- **Continuous Asset Growth by Annual Contributions**
- **Potential For Referrals From Other Business Owners And Financial Professionals From the Value You Bring**



401(k) Plan Provider Partnerships

Ultimate Team Business Industry

Advisor

Plan review coordinator, investment selection & monitoring, participant education.

CPA



Optimize contribution funding for tax savings and cash flow analysis.



Client



Payroll



Contributions into 401(k) accounts after every payroll in a timely manner.

TPA – Administration

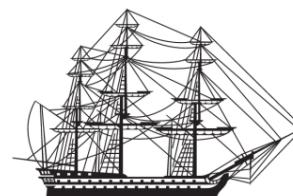
Tailored plan design consultation with personalized administration support.



RK Reports

Investment Recordkeeper

Participant website and app, plan asset custodian, plan sponsor operations & reporting.



Owner Only Plan Provider Partnerships

Similar To PWM Business

Advisor

Annual client review, discretionary investment management, & personal financial planning.

CPA



Payroll



Client



TPA Admin & Annual RK

Company Owners No Employees

Tailored plan design consultation with personalized admin & Annual RK support.



Duplicate
Statements

Investment Custodian

Where the assets are being held, participant website for performance and statements.



Value In Partnering With A Quality TPA



- **Creative Plan Design** For 401(k) And Combination 401(k) / Defined Benefit Plans, and **Ability to Pivot** if the Company Hires Employees Without Changing Providers.
- **TPA Consultant Helps You Sell** The Plan Along With The Business Owner's Tax CPA In Client/Prospect Meetings
- **TPA Helps You Manage The Ongoing Plan Administration** ... Biggest **Compliance** errors in the owner only business are the failure to file IRS Form 5500-EZ when assets reach \$250,000 or more and failure to amend and restate plan documents to meet updated IRS requirements.



Owner Only Plans Special Features

Group Testing Classifications

2025

2026



HIGHLY COMPENSATED EMPLOYEE (ADP/ACP)

Employee is considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.

- 1) Over 1% owner
- 2) Any employee in top 20% (top 20%)
- 3) Spouse or lineal relative

160,000 160,000



KEY EMPLOYEE (Top Heavy)

Employee is considered key if meets definition in current plan year.

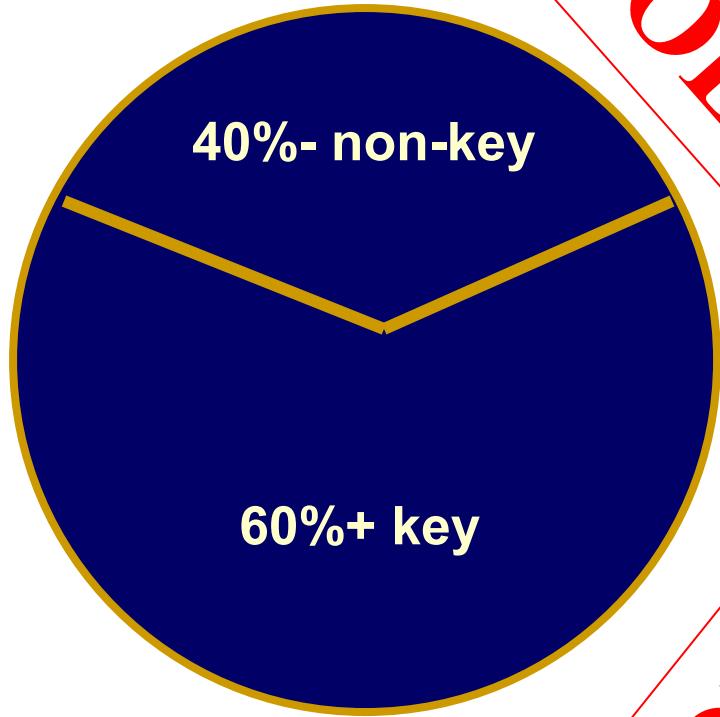
- 1) Over 5% owner
- 2) Over 1% owner
- 3) Officer (count at least 1)
- 4) Spouse or lineal relation

150,000 150,000
230,000 235,000



Owner Only Plans Special Features

No Discrimination Testing



Top-Heavy

DOES

NOT

APPLY

ADP/ACP

Typically, $(\text{Non-HCE avg.} + 2\%) + 2\% = \text{HCE max avg.}$

Non-HCE

$6\% = 7\% \text{ max HCE avg.}$

Prior year
 $3\% \text{ assumption} = 5\%$

on first plan year

Owner Only Plans Special Features

Only Focus on Table of Limits



| | | 2025 | 2026 |
|---|--|----------|----------|
| <u>COMPENSATION LIMIT</u> - <i>plan year beginning</i> | | 350,000 | 360,000 |
| <u>DC ANNUAL ADDITION LIMIT</u> - <i>plan year ending</i> | | 70,000 | 72,000 |
| <u>401(k) DEFERRAL LIMIT</u> - <i>calendar not plan year</i> | | 23,500 | 24,500 |
| <u>CATCH-UP DEFERRAL LIMIT</u> - <i>calendar not plan year</i> | | 7,500 | 8,000 |
| <u>CATCH-UP LIMIT AGES 60 TO 63</u> - <i>calendar not plan year</i> | | 11,250 | 11,250 |
| <u>ROTH CATCH-UP FICA WAGES</u> - <i>calendar not plan year</i> | | 150,000 | TBD |
| <u>DB ANNUAL BENEFIT LIMIT</u> | | 280,000 | 290,000 |
| <u>DB LUMP SUM APPROXIMATE BENEFIT LIMIT</u> | | 3.4 Mil | 3.6 Mil |
| <u>TAXABLE WAGE BASE (EE 6.2% / ER 6.2%)</u> | | 176,100 | 184,500 |
| <u>MEDICARE TAX RATE (EE 1.45% / ER 1.45%)</u> | | No Limit | No Limit |

Owner Only Plans Special Features

Able To Use Voluntary After-Tax Contributions

Understanding the Concepts

- ❖ **Participant deferral contributions** to the retirement plan made **after income taxes** have been paid
- ❖ When paired with an **in-plan Roth rollover** allows participants to convert their after-tax contributions to a **designated 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**

| Owner: Mary Jones, Age 57, W2 Comp \$100,000/Yr | |
|--|-----------------|
| Deferral + Catch-Up (Pre-tax or Roth) | \$31,000 |
| 25% Profit Sharing | \$25,000 |
| After-tax Contribution with In-Plan Roth Rollover | \$21,500 |
| 2025 Defined Contribution Limit | \$77,500 |

*Assumption for this illustration is that the participant is **age 57**, using **2025 contribution limits**.

** **Voluntary After-Tax Contributions** are considered participant contributions with the **same deadlines as elective deferrals**.

Now Is A Great Time For This Discussion



Owner Only Plan Set Up & Contribution Funding Deadlines



Adding a New Owner Only 401(k) PSP (Partnership) for 2025

- **Deadline:** Before tax returns are filed with extension on **September 15, 2026**

Adding a New Owner Only 401(k) PSP (Sole Proprietor) for 2025

- **Deadline:** Before tax returns are filed with extension on **October 15, 2026**

Adding a New Owner Only 401(k) PSP (S-Corp) for 2025

- **401(k) Deferral Deadline:** plan documents in place by and deduct the deferral from 2025 wages through **payroll by December 31, 2025**. The deferrals do not have to be **deposited until 2026**.
- **PS Deadline:** Before tax returns are filed with extension on **September 15, 2026**

Adding a New Owner Only 401(k) PSP (C-Corp) for 2025

- **401(k) Deferral Deadline:** plan documents in place by and deduct the deferral from 2025 wages through **payroll by December 31, 2025**. The deferrals do not have to be **deposited until 2026**.
- **PS Deadline:** Before tax returns are filed with extension on **October 15, 2026**

- ❖ Initial deadline for Partnership & S-Corp is **March 15, 2026**.
- ❖ Initial deadline for Sole Prop. & C-Corp is **April 15, 2026**.

Now Is A Great Time For This Discussion



Owner Only Defined Benefit Plans Funding Deadlines



Adding a New Defined Benefit Plan (For All Entity Types) for 2025

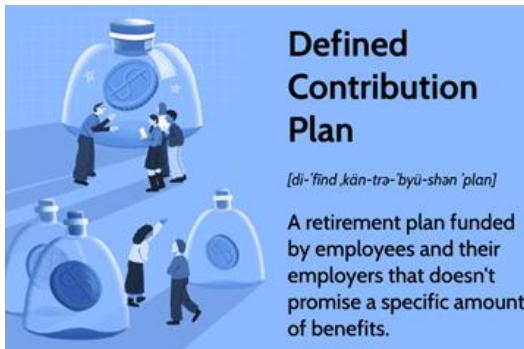
- Deadline: Before tax returns are filed with extension on **September 15, 2026**

DEFINED CONTRIBUTION

Defining a Contribution Limit for Today

Market Returns Determine Amount at Retirement

Individual or Pooled Accounts

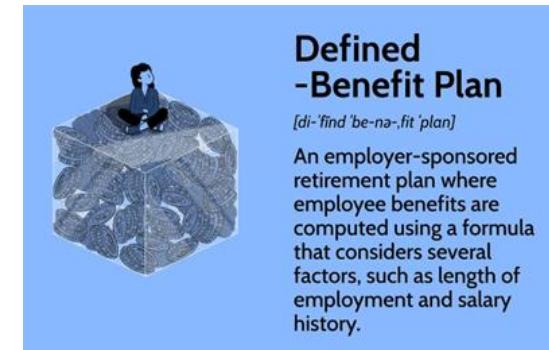


DEFINED BENEFIT

Defining a Benefit at Retirement

Returns Determined by the Plan Document

IRS & ERISA Mandated Pooled Account



TRUST

- Deposits not taxed to employee (unless Roth)
- Tax Deferred Growth
- Protected from creditors



Owner Only Plan Design Considerations

Ask The Questions



SEP IRA

Is the Owner satisfied with a 25% Pre-Tax Profit-Sharing Contribution?



| W2 Comp. | 25% SEP |
|-----------------------|------------|
| \$280,000 Owner 57 | \$70,000 |
| Total | \$70,000 |

\$280,000 W2 Comp Owner Can Make Profit-Sharing Max DC Contribution of \$70,000.

* This illustration is using 2025 contribution limits, with the owner over the age of 50.

SEP IRA Key Considerations



➤ Employer-Only Contributions

- Employees cannot defer their own salary. All contributions come from the employer.

➤ No Catch-Up Contributions

- SEP IRAs do not allow for age-50+ and ages 60-63 catch-ups.

➤ Uniform Percentage Rule

- The employer must contribute the same percentage of compensation to every eligible employees (including owners).

➤ No Roth Option

- Contributions are pre-tax only.

➤ Be Aware Of Restrictions With Another Qualified Retirement Plan

- If your SEP IRA was set up of **Form 5305-SEP**, you **cannot** legally maintain another plan (401(k), profit-sharing, DB plan, ...) in the same plan year.
- If your SEP IRA was set up using a **prototype or individually designed SEP**, you **can** maintain another plan (401(k), profit-sharing, DB plan, ...) in the same plan year.

SEP IRA vs. OWNER ONLY(k)

Is the extra contributions worth the TPA administration costs?



| W2 Comp. | 25% SEP | 25% PS + 401(k) + VAT |
|-----------------------|----------|-------------------------------------|
| \$150,000 Owner 57 | \$37,500 | \$37,500 + \$31,000 + \$9,000 |
| Total | \$37,500 | \$68,500 + \$9,000 = \$77,500 |

83% (\$31,000) More in pre-tax deductions with owner compensation of \$150,000 with an additional \$9,000 that will convert into a designated Roth account.

* This illustration is using 2025 contribution limits, with the owner over the age of 50.

SEP IRA vs. OWNER ONLY(k)

Is it worth adding my spouse to payroll?



| W2 Comp. | 25% SEP | 25% PS + 401(k) + VAT |
|----------------------------|------------|--|
| \$150,000 100% Owner 57 | \$37,500 | \$37,500 + \$31,000 + \$9,000 |
| \$40,000 Spouse 57 | \$10,000 | \$10,000 +\$31,000 + \$6,500 |
| Total | \$47,500 | \$109,500 + \$15,500 = \$125,000 |

Adding the spouse in this example increases pre-tax contributions in 401(k) by \$41,000 and an additional \$6,500 that will convert into a designated Roth account.

* Maximum spouse DC contribution is 100% of compensation + catch-up limit (in above example \$47,500).

** This illustration is using 2025 contribution limits, with the owner and spouse over the age of 50.

SEP IRA vs OWNER ONLY(k)

Multiple Owners in an Owner Only Plan



| W2 Comp. | 25% SEP | 25% PS + 401(k) + VAT |
|---------------------------|----------|---------------------------------------|
| \$150,000 50% Owner 57 | \$37,500 | \$37,500 +\$31,000 +\$9,000 |
| \$150,000 50% Owner 57 | \$37,500 | \$37,500 +\$31,000 +\$9,000 |
| Total | \$75,000 | \$137,000 +\$18,000 = \$155,000 |

* Only owner plans (those who can file form 5500-EZ) only covers owner, owner & spouse and multiple partners in a business partnership.

** This illustration is using 2025 contribution limits.



Defined Benefit Plan

Defining a Benefit Amount at Retirement
In Example Below Showing a 100% Income Replacement

General Assumptions

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

Requires \$153,000 contribution

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

2025 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 | 33,571 | 55,952 | 78,333 | 78,333 | 78,333 | 78,333 | 78,333 | 78,333 | 78,333 |
| 34 | 37,274 | 62,123 | 86,972 | 86,972 | 86,972 | 86,972 | 86,972 | 86,972 | 86,972 |
| 36 | 41,384 | 68,974 | 96,563 | 96,563 | 96,563 | 96,563 | 96,563 | 96,563 | 96,563 |
| 38 | 45,948 | 76,581 | 107,213 | 107,213 | 107,213 | 107,213 | 107,213 | 107,213 | 107,213 |
| 40 | 51,016 | 85,026 | 119,036 | 119,036 | 119,036 | 119,036 | 119,036 | 119,036 | 119,036 |
| 42 | 57,261 | 95,435 | 133,609 | 133,609 | 133,609 | 133,609 | 133,609 | 133,609 | 133,609 |
| 44 | 63,504 | 105,839 | 148,175 | 148,175 | 148,175 | 148,175 | 148,175 | 148,175 | 148,175 |
| 46 | 70,427 | 117,378 | 164,329 | 164,329 | 164,329 | 164,329 | 164,329 | 164,329 | 164,329 |
| 48 | 78,105 | 130,174 | 182,244 | 182,244 | 182,244 | 182,244 | 182,244 | 182,244 | 182,244 |
| 50 | 86,620 | 144,366 | 202,112 | 202,112 | 202,112 | 202,112 | 202,112 | 202,112 | 202,112 |
| 52 | 96,063 | 160,105 | 224,146 | 224,146 | 224,146 | 224,146 | 224,146 | 224,146 | 224,146 |
| 54 | 106,536 | 177,559 | 248,582 | 248,582 | 248,582 | 248,582 | 248,582 | 248,582 | 248,582 |
| 56 | 118,150 | 196,917 | 275,682 | 275,682 | 275,682 | 275,682 | 275,682 | 275,682 | 275,682 |
| 58 | 123,144 | 205,241 | 287,336 | 287,336 | 287,336 | 287,336 | 287,336 | 287,336 | 287,336 |
| 60 | 117,870 | 196,450 | 275,029 | 275,029 | 275,029 | 275,029 | 275,029 | 275,029 | 275,029 |
| 62 | 112,323 | 187,205 | 262,086 | 303,933 | 303,933 | 303,933 | 303,933 | 303,933 | 303,933 |
| 64 | 106,475 | 177,458 | 248,440 | 319,424 | 335,885 | 335,885 | 335,885 | 335,885 | 335,885 |

- Defined benefit chart is a ballpark approximation for an Owner Only Plan using W-2 wages.
- Contribution amounts may be less when using a DB/DC Combo design.
- Contributions based on NRA 62 and 5 Years of Participation.

Defined Benefit Plan Key Considerations



➤ Large Funding Requirements & Contribution Volatility

- Defined benefit plans have an annual minimum and maximum contribution determined by actuarial rules.
- The contribution funding is affected by the performance of the plan assets. An actuary uses a rate of return (ROR) of 5% in their calculations. If the defined benefit asset performance exceeds this ROR, then the allowable contribution will go down whereas if the defined benefit assets underperform, then the contribution will go up.
- Critical to have the company tax CPA integrally involved in the set up of a defined benefit plan. Have the CPA run a feasibility study on the contribution funding to see if it will present a cash-flow risk to the employer.

➤ 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 8 - 10 years to be fully funded. In common practice, a DB plan with a legitimate business reason can terminate within 3 – 5 years.

➤ Legitimate Business Reasons to Terminate a Defined Benefit Plan

- Significant reduction in business revenue and/or profitability
- Retirement
- Company merger/acquisition or restructuring

➤ Recommended Timing to Set Up A Defined Benefit Plan

- Start of the year following the 1st plan year. For example, if you are looking to set up a defined benefit plan for 2025, I would wait until the 1st quarter of 2026 to make a final decision.

OWNER ONLY(k) vs DB vs Combo DC/DB

Adding a Defined Benefit Plan Significantly Increases Contribution Funding



| Comp. | 25% PS + 401(k) + VAT | DB | DB + 6% PS + 401(k) + VAT |
|----------------------------|--------------------------------------|-----------|---|
| \$150,000 100% Owner 57 | \$37,500 +\$31,000 +\$9,000 | \$301,200 | \$301,200 +\$9,000 +\$31,000 +\$37,500 |
| \$40,000 Spouse 57 | \$10,000 +\$31,000 +\$6,500 | \$255,600 | \$255,600 +\$2,400 +\$31,000 +\$14,100 |
| Total | \$109,500 +\$15,500 =\$125,000 | \$556,800 | \$630,200 +\$51,600 =\$681,800 |

OWNER ONLY(k) Adding Spouse Without A Deferral

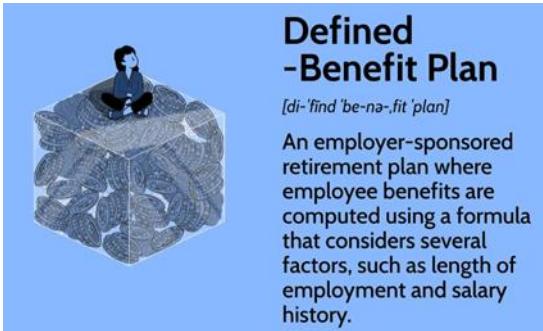


| Participant | Age | Compensation | 401(k) Def | 401(k) PS | After-Tax with IPRR | Total Contributions | % of Total Benefits |
|-------------|-----|--------------|------------|-----------|---------------------|---------------------|---------------------|
| Owner | 46 | \$166,000 | \$23,500 | \$46,500 | \$0 | \$70,000 | 77.8% |
| Spouse | 43 | \$20,000 | \$0 | \$0 | \$20,000 | \$20,000 | 22.2% |
| Total | | \$186,000 | \$23,500 | \$46,500 | \$20,000 | \$90,000 | 100% |

- ❖ Owner can use all the profit-sharing on his account (25% of \$186,000)
- ❖ Spouse can have a maximum of 100% of compensation + catch-up (if applicable) into the after-tax with in-plan Roth rollover account

* This illustration is using 2025 contribution limits with W2 wages.

OWNER ONLY Combination Plan With After-Tax



| Participant | Age | Compensation | 401(k) Def | 401(k) PS 6% | After-Tax with IPRR | DB Cont | Total Contributions | % of Total Benefits |
|--------------|-----|------------------|-----------------|-----------------|------------------------|------------------|------------------------|------------------------|
| Owner | 46 | \$125,000 | \$23,500 | \$8,700 | \$37,800 | \$138,716 | \$208,716 | 82.2% |
| Spouse | 43 | \$20,000 | \$0 | \$0 | \$20,000 | \$25,284 | \$45,284 | 17.8% |
| Total | | \$145,000 | \$23,500 | \$8,700 | \$57,800 | \$164,000 | \$254,000 | 100% |

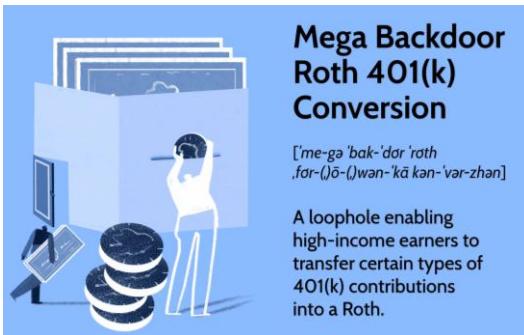
By using the after-tax with in-plan Roth rollover accounts the owner can reach the DC contribution limit of \$70,000, and the spouse to their DC limit of 100% of compensation.

For the household there would be a maximum of \$196,200 (\$164,000 + \$8,700 + \$23,500) of tax-deductible contributions with \$57,800 in designated Roth accounts.

* This illustration is using 2025 contribution limits using W2 wages.

Owner Only Retirement Plan Business Webinar Agenda

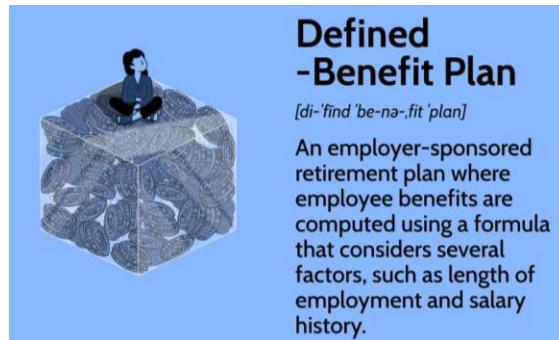
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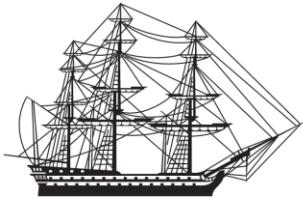


Defined Contribution Plan

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

Presenters



Vanguard®

NH HICKS
LEGAL AND PENSION CONSULTANTS

Ron VanRell (480) 713-7011 ronald_vanrell@vanguard.com

- o 25 years as a Vanguard veteran
- o Has held multiple sales and leadership positions
- o QKA and QKC American Society of Pension Professionals & Actuaries (ASPPA) designations

Chris Ressa (916) 316-5932 cressa@nhhicks.com

- o 2nd year as a TPA consultant with NH Hicks
- o 15 years as an advisor focused on selling and managing retirement plans
- o 19 years as an educator and coach

Proposal Request Form 1st Page

You Have A Prospect If They Give You The Data

PROPOSAL REQUEST

Today's Date: _____

Requested by: _____

Proposal for Plan Year: _____

Phone number: _____

This is for a: New Plan Takeover Plan

Email: _____

Client Profile:

Company Name: _____ Contact: _____

Phone: _____ Address: _____

Date Business Commenced: _____ Fiscal Year end: _____

Type of Entity: C-Corp S-Corp Partnership Not-for-profit Sole Proprietor
 LLC (taxed as Corp/ Partnership) Other: _____

Primary business is _____

List owners, officers and ownership percentage:

Name: _____

% Owned

Name: _____

% Owned

(If any of the above own an interest in another company, please indicate with an *)

Does the employer currently have a plan? No Yes Specify: _____

Additional comments about plan: _____

Are they interested in a specific plan? No Yes Specify: _____

Employer wishes to contribute approximately: \$ _____ per year.

The primary objective of the plan is (rate by importance 1-4, with 1 being first priority)

Tax Deduction Employee Attraction/Retention Employee Incentive Creditor Protection

Are there other desires or concerns? Please explain: _____

The completed forms can be given to your consultant or sent to Chris Ressa at
cressa@nhhicks.com or FAX (530) 226-0272.

Proposal Request Form 2nd Page

CENSUS DATA FOR PROPOSAL PREFERRED IN EXCEL FORMAT

Company: _____

Contact: _____

Phone: _____

Entity: _____

Year End: _____

If you are requesting a Defined Benefit proposal, see note below for additional information needed.

| Owners & Employees | Birth Date | Hire Date | Total Annual Compensation | Annual Salary Deferral | 1,000 Hours in Any Year | Term Date | Owner %, Officer, Family |
|--------------------|------------|-----------|---------------------------|------------------------|-------------------------|-----------|--------------------------|
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| | | | | | | | |
| Totals | | | | | | | |

Note: If requesting a proposal for a Defined Benefit Plan, also provide us with the owners' compensations for the 3 prior calendar years. Compensation is W-2 for C and S-Corporations, Schedule C Net-Income for Sole Proprietor and K-1 Net-income for Partnership.

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&
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People Matter & Experience Counts