

# **VANGUARD & NH HICKS**

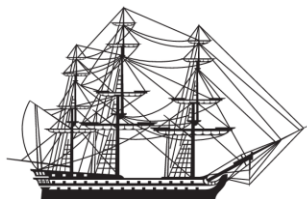
Unlocking The Creativity Of Owner-Only  
Retirement Plan Business

Advisor Coaching Workshop

December 18<sup>th</sup>, 2025

**People Matter & Experience Counts**

# Presenters



**Vanguard®**

**NH HICKS**

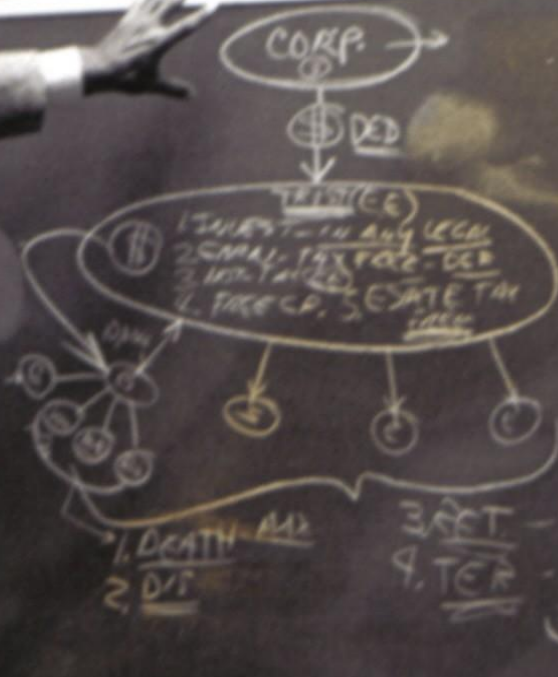
LEGAL AND PENSION CONSULTANTS

**Ron VanRell** (480) 713-7011 [ronald\\_vanrell@vanguard.com](mailto: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](mailto:cressa@nhhicks.com)

- o 2<sup>nd</sup> 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



## Defined Contribution Plan

[di-'fɪnd,kən-'trɪ-'byu-'ʃən 'plæn]

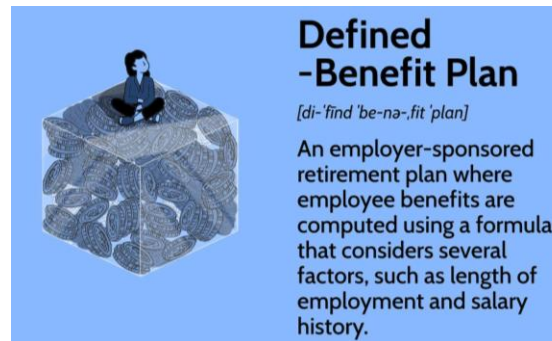
A retirement plan funded by employees and their employers that doesn't promise a specific amount of benefits.



## Mega Backdoor Roth 401(k) Conversion

['me-'gə 'bæk-'dɔr 'rɒθ  
'fɔr-()jə-()wæn-'kɑ kən-'vɜ:zən]

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



## 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.

# ***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



Company 401(k) Committee

### Payroll



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

### TPA – Administration

Tailored plan design consultation with personalized administration support.

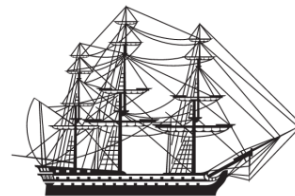
### Investment Recordkeeper

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



Copyright NH Hicks

RK Reports



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# Owner Only Plan Provider Partnerships

## Similar To PWM Business

### Advisor

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



### CPA



Optimize contribution funding for tax savings and cash flow analysis.

### Payroll



Contributions can be done in a few annual payrolls into retirement plan accounts.

### Client



Company Owners No Employees

### TPA Admin & Annual RK

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

### Investment Custodian

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



Duplicate  
Statements



BEST INVESTMENT  
COMPANIES

# 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



### 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 (top 20%)
- 2) Any employee (top 20%)
- 3) Spouse or linear relation

2025

2026

160,000

160,000

### KEY EMPLOYEE (Top Heavy)

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

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

150,000

150,000

230,000

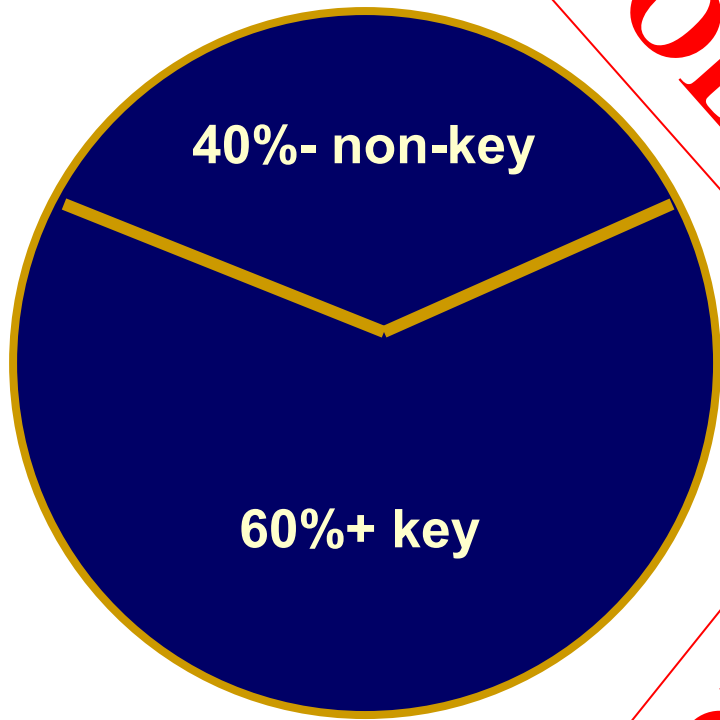
235,000





# Owner Only Plans Special Features

## No Discrimination Testing



Top-Heavy

ADP/ACP

Typically,  $NHCE + 2\% = HCE \text{ max avg.}$

NHCE

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

Prior year on first plan year  
3% assumption = 5%

**DOES NOT APPLY**

**DOES NOT APPLY**

# 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
<b>After-tax Contribution with In-Plan Roth Rollover</b>	<b>\$21,500</b>
<b>2025 Defined Contribution Limit</b>	<b>\$77,500</b>

\*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

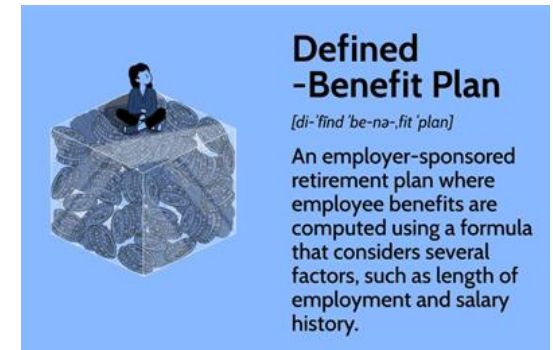


# DEFINED BENEFIT

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
<b>Total</b>	\$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

\*NRA stands for Normal Retirement Age

# 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 1<sup>st</sup> plan year. For example, if you are looking to set up a defined benefit plan for 2025, I would wait until the 1<sup>st</sup> 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



**Defined -Benefit Plan**  
*[di-'find 'be-nə-'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.

**Mega Backdoor Roth 401(k) Conversion**  
*[me-'ga 'bak-'dər 'rəθ ,fər-(j)ō-(j)wən-'kə kən-'vər-zən]*

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

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%

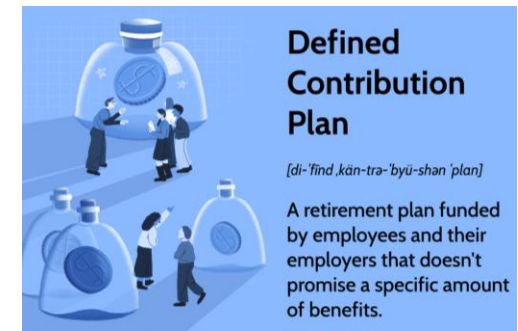
By using the after-tax with in-plan Roth rollover accounts the owner can reach the DC contribution limit of \$70,000, and the spouse to their DC limit of 100% of compensation.

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

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



## Defined Contribution Plan

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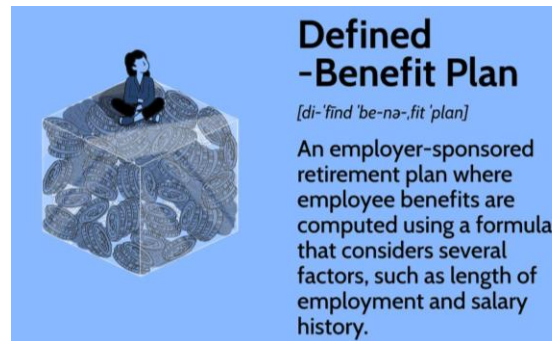
A retirement plan funded by employees and their employers that doesn't promise a specific amount of benefits.



## Mega Backdoor Roth 401(k) Conversion

['me-'gə 'bæk-'dɔr 'rɒθ  
'fɔr-() 'dɔ-() 'wæn-'kɑ kən-'vɜ-zən]

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

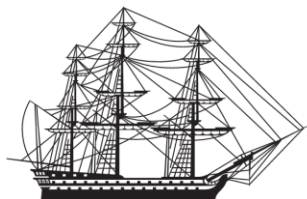


## Defined-Benefit Plan

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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.

# Presenters



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**NH HICKS**

LEGAL AND PENSION CONSULTANTS

**Ron VanRell** (480) 713-7011 [ronald\\_vanrell@vanguard.com](mailto: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](mailto:cressa@nhhicks.com)

- o 2<sup>nd</sup> 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 1<sup>st</sup> 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 Yearend: \_\_\_\_\_

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](mailto:cressa@nhhicks.com) or FAX (530) 226-0272.

## ***Proposal Request Form 2<sup>nd</sup> 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
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.

# **VANGUARD & NH HICKS**

**People Matter & Experience Counts**