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Contractors
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Choosing the Right Retirement Plan

Karen deMontigny CFP,
Fringe Benefit Group - ABC Strategic Partner

Objectives of the Webinar



- Determine the goals of the company
- Explain different plan types
 - SIMPLE IRA
 - Traditional 401(k)
 - Profit Sharing
- Match the goals to the plan type

Goals of the Company



- Employee satisfaction/retention.
- Maximize the Owner/HCE's ability to contribute to retirement.
- Maximize use of Davis Bacon Fringe dollars to lower bid costs.
- Minimize Employer mandatory contributions
- Minimize administrative time.
- Minimize compliance with IRS/DOL regulations.
- Maximize flexibility for the company.

SIMPLE IRA



- Employee can voluntarily defer pretax dollars from their paycheck.
- Employer must either contribute 2% of payroll for all eligible employees or match EE contributions at 100% of the first 3%.
- Contributions are 100% vested immediately.
- Participant can choose from funds offered
- Maximum deferral for 2015 is \$12,500 or age 50+ \$15,500

SIMPLE IRA cont.



- All plans run on calendar year.
- It is the only plan that can exist in that year.
- It can only be changed for January 1st, employees must be notified by November 1st if the company is changing plans.
- There is no ability to make additional contributions, (fringe dollars).
- Very simple document to set up.
- No discrimination testing or 5500 filing.
- Available to companies up to 100 employees

Matching Goals



Employee Satisfaction/retention	Yes satisfaction/ No retention
Maximize Owner/HCE contribution	Lower contribution limits
Maximize use of fringe	No use of fringe
Minimize ER mandatory contributions	There are mandatory contributions
Minimize admin time	Yes
Minimize IRS/DOL	Yes
Maximize flexibility	Very limited

401(k)



- Eligible employees can payroll deduct either pretax or post tax contributions.
- Employer can choose to match employee contributions in any formula they choose or make profit sharing contributions.
- Employer contributions can have vesting schedules.
- Safe Harbor Plans require employer contributions either as a match or as a across the board contribution.

401(k) cont.



- Participants can choose from investments offered.
- Maximum payroll deduction is 100% of pay up to \$18,000 or age 50+ \$24,000.
- Maximum contribution for any employee from all sources \$53,000.
- Other contribution types: Profit Share, Davis Bacon Fringes*, Match and QNEC.

401(k) cont.



- Requires compliance testing
- Requires 5500 filing
- Unique Plan Design options with the Contractors Plan.
 - Unique loan program;
 - Works like a line of credit.
 - Employer does not payroll deduct the payments on employee loans.
 - Employees can access loans while on lay off.

Use of Fringe Dollars to Maximize HCE Contributions



- Boost
- Profit Sharing Offset
- QNEC-Schedule A

How Your Prevailing Wage Contributions Benefit Owners and Top Staff



Example #1: 401(k) with Prevailing Wage “Boost”

NHCEs	Pay	Deferrals	PW Contributions*	PW Contributions*	Avg* Deferral %	Avg** Deferral %	Test	Test
Secretary	\$25,000	\$1000	N/A	N/A	4%	4%	4%	4%
Bookkeeper	\$35,000	\$1400	N/A	N/A	4%	4%	4%	Test 4%
20 PW Employees	\$1,000,000	\$10,000	\$0	\$100,000	1%	11%	20%	220%
Total NHCEs		\$12,400		\$100,000			28%	228%
Divide total % by # of NHCEs (22) for NHCE Actual Deferral Percentage							1.27%	10.36%
Computed Maximum HCE Deferral Percentage							2.54%¹	12.95%²

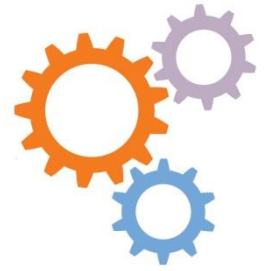
*Prevailing Wage if paid in Cash

**Prevailing Wage Used as “Boost”

¹If NHCE ADP is <2%, the HCE Deferral % is 2x the NHCE ADP

²If NHCE ADP >8%, the HCE Deferral% is 1.25 x the NHCE ADP

How Your Prevailing Wage Contributions Benefit Owners and Top Staff



Example 2: Profit Sharing “Offset”

Employees	Compensation	PW Contributions	PW as % of Pay	10% of Pay Profit Sharing Calculation	Profit Sharing Contribution Due	Profit Sharing Saved
Jones (PW)	\$30,000	\$6,000	20%	\$3,000	\$0	\$3,000
Smith (PW)	\$40,000	\$3,000	7.5%	\$4,000	\$1,000	\$3,000
Owner	\$100,000	\$0	0%	\$10,000	\$10,000	\$0
Accountant	\$60,000	\$0	0%	\$6,000	\$6,000	\$0
				\$23,000	\$17,000	\$6,000

QNEC-Schedule A



- Employer chooses employees by classification to make 100% vested contributions.
- If the employee is an Owner/HCE, the maximum amount is determined by testing results.

Match to Goals



Employee Satisfaction	Yes
Maximize Owner/HCE contribution	Yes, based on testing
Maximize use of fringe	Yes
Minimize ER mandatory contributions	Yes
Minimize admin time	Yes with CP
Minimize IRS/DOL	Filings required, audit assistance available
Maximize flexibility	Yes

Questions

