Retirement Plans
For Small Businesses

Establish benefits for your future.

PRS PROFESSIONAL RETIREMENT SERVICES INC.

The Right Retirement Plan and Advisor

In today's competitive workplace, employee benefit programs are emerging as the key solution to attracting and retaining vital employees. From broad based retirement programs to elaborate executive compensation arrangements, leading companies are turning to retirement plan consultants to help them to create successful benefit programs.

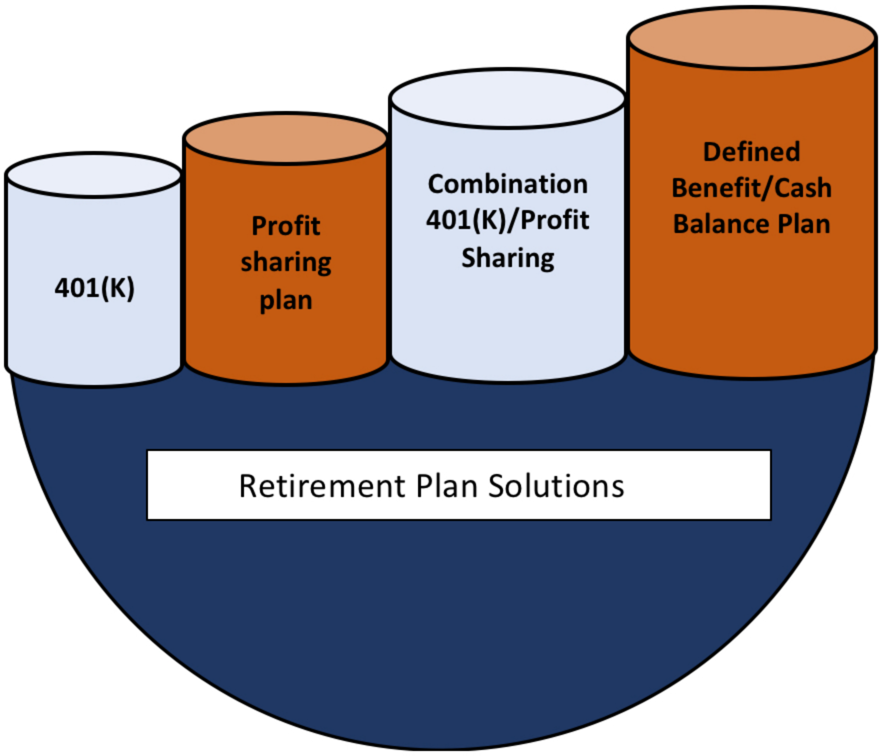
That's why more and more companies are turning to Professional Retirement Services, Inc. Our success not only revolves around the satisfaction of our clients, but the well-being of their employees. Many of our clients have learned that having the right retirement plan can possibly improve their tax situation, in addition to rewarding valuable employees.

As a service oriented company, PRS has provided pension consulting services for companies from 1 to over 200 employees since 2005. Our diverse client portfolio ranges from doctor's and lawyer's offices to magazine publishing and non-profit companies. We work closely with each client to provide them with customized plans designed to fit their specific needs.

The complex world of employee benefit programs require a complete understanding of the latest tax, labor, and employment laws that shape the terms of corporate benefit and compensation programs. In an industry where the rules are constantly changing, we work with Third Party Administrators (TPA's), Enrolled Retirement Plan Agents (ERPA's), and accountants to maintain our leadership position by keeping up with the legislative, regulatory and market changes.

This information should not be construed as tax advice. Please consult a qualified tax professional regarding your personal situation.

The Right Retirement Plan and Advisor



401(k) Plan- The most common type of plan can work for companies of all sizes. Many small business choose a Safe Harbor 401(k) as a foundation for thier retirement solution.

Profit Sharing Plan- This plan allows for higher contributions than a 401(k) plan and all contributions come from the employer. These contributions are discretionary year to year.

Combination 401(k)/Profit Sharing- Combination Plans help business owners save their maximum amount ($56,000 in 2019) in the most efficient manner.

Defined Benefit/Cash Balance Plan- Defined benefit plans allow for much higher contribution amounts and allow equities in the invesment portfolio. Cash Balance Plans are exciting, useful plans for small businesses created by the Pension Protection Act (2006). They can resemble a New Comparability Profit Sharing plan, but without the $56,000 limit.

401(k) Plans

*Tips from a Financial Planner:

- Keep doing the right thing, continue to save.

-Review and rebalance your accounts on a regular basis.

-Don't succumb to market roller coaster.

-Evaluate your risk tolerance and invest accordingly.

* This is for informational purposes only and should not be construed as financial advice.

A well designed plan should:

- Potentially maximize tax deductions.
- Potentially minimize plan setup and maintenance fees.
- Potentially maximize tax-deferred retirement savings for the employer and employees.
- Help recruit and retain quality employees.

Traditional 401(k) Plans

401(k) Plans are the most common form of retirement plan used for businesses of all sizes. This plan will allow for employees to make elective deferrals from their paycheck into a retirement account. The employee will be able to direct how the money is invested, typically choosing from a menu of mutual funds. The employer may choose to offer a matching contribution.

Pros:

- Can work well for any size business.
- Employer does not have to contribute.
- Easy to understand for employees.
- Can have vesting schedule for employer contributions.

Cons:

- Administration can become complex.
- May limit contributions by owners and highly compensated employees.
- Must pass non-discimination compliance testing.

Safe Harbor 401(k) Plans

The Economic Growth Tax Relief Reconciliation Act of 2001 (EGTRRA) created Safe Harbor 401(k)'s for small businesses. By satisfying one of three contribution requirements, the plan is exempt from much of the non-discrimination testing. This is very popular with small businesses.

Pros:

- Owners and highly compensated employees can defer maximum amounts.
- Commonly reduces the administrative costs.

Cons:

- Cannot apply vesting schedule to safe harbor contributions.
- Company must make contributions for employees (3 choices).

Example of Non-Elective Safe Harbor 401(k) Plan for 2019

	Age	Salary	3% Vested Employer Contribution	Employee Deferral	Total Contributions
Owner	52	$280,000	$8,400	$25,000	$33,400
Employee	33	$33,000	$990	$0	$990
Employee	36	$31,000	$930	$0	$930
Employee	51	$28,000	$840	$0	$840
Employee	42	$23,000	$690	$0	$690
		$395,000	$11,850	$25,000	$36,850

*This is for illustrative purposes only and may not be indicative of your specific situation. Your results will vary.

Employee deferrals do not add additional costs to the business.

Profit Sharing Plans

Profit Sharing Plans allow for higher contributions than a 401(k) plan. In a profit Sharing Plan, all of the contributions come from the employer. These contributions are completely discretionary from year to year. If a plan goes too many years without contributions, the IRS may terminate it.

Traditional Profit Sharing Plans used to be very common in small businesses. These plans typically contribute a certain percentage of salary to each eligible employee. Since 2001, many of these plans have been replaced by New Comparability Plans.

New Comparability Profit Sharing Plans are another creation of EGTRRA 2001. These plans allow the company to allocate different percentages of salary to different classes of employees. There are restrictions on the allowed disparity, but these plans are usually more efficient for the business owner than a Traditional Profit Sharing Plan. These plans work best when the business owner is older than most the employees.

Pros:

- All contributions are discretionary - no required contribution to plan.
- Can attach a vesting schedule on all contributions.
- Much higher contributions limits than a 401(k).
- Typically less expensive for administration.

Cons:

- Contributions for employees may be higher than a 401(k) if trying to maximize contributions for owners.
- Does not allow employees to make their own contributions to plan.
- Does not allow for catch-up contributions for employees over age 50.
- May not be efficient if employees are older than owners.

Questions a Planner Can Help Answer:

-Will you outlive your retirement income?

-How much fiduciary insurance should you have?

-Should you add stocks to your portfolio?

-Are your financial expectations for the upcoming year realistic?

A Poorly Designed Plan Can Result In:

- Failure of discrimination testing.
- Return of excess contributions to highly compensated employees.
- Inability to reward your best employees.

Traditional Profit Sharing vs. New Comparability Profit Sharing for 2019

	Age	Salary	Traditional Profit Sharing	% of Salary	New Comparability Profit Sharing	% of Salary
Owner	55	$216,000	$39,247	18.2%	$56,000	25.9%
Employee1	44	$34,000	$6,178	18.2%	$1,700	5%
Employee2	36	$30,000	$5,452	18.2%	$1,500	5%
Employee3	25	$28,000	$5,088	18.2%	$1,400	5%
Employee4	22	$20,000	$3,635	18.2%	$1,000	5%
Total			$59,600	-	$61,600	-
			Owner Share 70.7%		Owner Share 90.9%	

*This is for illustrative purposes only and may not be indicative of your specific situation. Your results may vary.

Combination Profit Sharing 401(k) Plans

The most popular plan design for PRS clients in recent years has been a **New Comparability Profit Sharing Plan with a 401(k)** component. For a business owner looking to allow employees to contribute, but also have the flexibility to maximize employer contributions in good years, this plan offers both. Usually, a Safe Harbor 401(k) is used in this plan. This plan works well for small companies with one owner as well as a medium sized business with multiple owners.

Example 1 for 2019

	Age	Salary	401(k) Deferral	4% Safe Harbor Match	Profit Sharing	Total	% of Salary
Owner	44	$165,000	$19,000	$6,600	$30,400	$56,500	35.9%
Employee	28	$36,000	$0	$0	$1800	$1800	5%

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35.9% of Salary to the owner.

96.9% of total contributions to owner.

Example 2 for 2019

	Age	Salary	401(k) Deferral*	3% Safe Harbor	Profit Sharing	Total
Owner 1	62	$280,000	$25,000	$8,400	$28,600	$62,000
Owner 2	56	$280,000	$25,000	$8,400	$28,600	$62,000
Owner 3	51	$280,000	$25,000	$8,400	$28,600	$62,000
Employee 1	31	$50,000	$0	$1,500	$1,000	$2,500
Employee 2	28	$40,000	$0	$1,200	$800	$2,000
Employee 3	42	$40,000	$0	$1,200	$800	$2,000
Employee 4	33	$35,000	$0	$1,050	$700	$1,750
Employee 5	23	$28,000	$0	$840	$560	$1,400

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95% of total contributions to owner.

In this plan, employee deferrals do not add additional costs to the business.

SEP and SIMPLE Plans

SEP

Simplified Employee Pensions (SEP) are not actually pensions at all. These are defined contribution plans that most closely resemble Traditional Profit Sharing Plans. Every eligible employee will receive the same percentage of salary and these contributions are immediately vested. These are not technically “Qualified Plans”, but are “Individual Retirement Account” plans.

Pros:

- Easy and inexpensive to administer.
- Eligibility can be more inclusive than some other plans.
- Individuals can choose investment portfolio.
- Can set up after end of tax year, but prior to tax filing deadline.

Cons:

- Cannot discriminate amongst employee classes.
- All contributions are immediately vested.
- Employees cannot make contributions.
- Cannot take loans.

SIMPLE

Savings Incentive Match Plan for Employees (SIMPLE) plans most closely resemble 401(k) plans in that they allow for employee salary deferrals. Employees can defer up to $13,000 plus an additional $3,000 if over age 50. The employer must provide either a 3% match or a 2% non-elective contribution. Employer contributions are immediately vested. SIMPLES were created in 1997 to replace the Salary Deferral SEP (SARSEP). To be eligible for a SIMPLE a company cannot have over 100 employees.

Pros:

- Easy and inexpensive to administer.
- Employees can defer salary.
- Individuals can choose investment portfolio.
- May reduce matching contrubution to 1% in two of every five years.

Cons:

- All contributions immediately vested.
- Lower contribution limit than 401(k).
- Must cover all employees earning $5,000 during any two preceding years and expected to earn $5,000 in current year.
- Cannot maintain any other plan in same year as SIMPLE.
- Cannot take loans.

SIMPLE 401(k)

Unlike SEPs and SIMPLEs, a SIMPLE 401(k) is a qualified plan and has the same reporting and eligibility requirements as any other ERISA Title I plan. It is a 401(k) plan, but is subject to the same contributions limits and matching requirements as a SIMPLE. You may not reduce the matching contribution in a SIMPLE 401(k) as you may in a SIMPLE.

Defined Benefit Plans

Defined Benefit Plans can be advantageous for the business owner looking to contribute more than the $56,000 limit of a Profit Sharing Plan. There is less flexibility in the funding of these plans so they are best suited for businesses with consistent earnings. These plans work best in a small company where the owners are older than the employees. If you feel that you are behind in saving for your retirement, this is a way to help you catch up quickly.

Pros:

- Much higher contributions than 401(k) and Profit Sharing Plans.
- Can purchase life insurance inside of plan.
- Can have vesting schedule on entire contribution.

Cons:

- Little flexiblity in contribution amounts.
- No loans allowed.
- Employees cannot choose investment portfolio.
- Employees cannot defer salary.

Traditional Defined Benefit

Allows for investments in mutual fund based investment vehicles.

412(e)(3)

Allows for larger initial contributions than a Traditional Defined Benefit. This is also referred to as an "insurance contract plan" as the entire plan must be invested in guaranteed return insurance products (fixed annuities). These plans may also invest in life insurance products, which allows for higher contribution amounts.

There are many differences between Traditional Defined Benefit Plans and 412(e)(3) Plans. Please inquire for more details.

New Comparability Profit Sharing vs. Traditional Defined Benefit vs Cash Balance Plan for 2019

	Age	Salary	New Comp Profit Sharing	Traditional DB	Cash Balance Contributions
Owner	55	$280,000	$56,000	$214,000	$214,000
Employee 1	44	$34,000	$1,700	$14,127	$3,570
Employee 2	36	$30,000	$1,500	$8,437	$3,150
Employee 3	25	$28,000	$1,400	$4,604	$2,940
Employee 4	22	$20,000	$1,000	$2,840	$2,100
			$61,600	$244,008	$225,760
			90.7% to owner	87.7% to owner	92.5% to owner

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All contributions in both plans can be put on a vesting schedule of up to 6 years graded.

Cash Balance Plans

Cash Balance Plans may be the most exciting plan design to come along since the 401(k). This plan has some features of both defined contribution and defined benefit plans. The Pension Protection Act of 2006 made Cash Balance plans very attractive for some business owners. These plans can look similar to New Compatibility Profit Sharing but without the $56,000 annual limit. Cash Balance plans also allow us to treat different aged owners similarly, something not possible in other defined benefit plans. Similar to other defined benefit plans, there is little flexibility in contribution amounts, so this plan should only be used for companies with consistent earnings. Unlike other defined benefit plans, these plans are limited to a three year cliff vesting schedule.

Example of a Cash Balance Plan for 2019

	Age	Salary	Cash Balance Contributions	% of Salary
Owner 1	61	$280,000	$150,000	54%
Owner 2	54	$280,000	$150,000	54%
Employee 1	48	$34,000	$6,075	18%
Employee 2	35	$30,000	$5,360	18%
Employee 3	32	$28,000	$5,005	18%
Employee 4	26	$20,000	$3,575	18%

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94% of total contributions to owners.

Cash Balance plans can be used in conjunction with a Safe Harbor 401(k) plan to allow the employees the ability to defer salary. You can do this in a single plan instead of two separate plans. These plans are new and can be customized to fit your situation. Please contact us for more information.

Defined Benefit plans can be a valuable tool in saving for retirement, but they can also be very complex. It is important to discuss all aspects of these plans with qualified retirement, legal and tax specialists.

Plan Services & Fees

Professional Retirement Services has relationships with more than a dozen of the largest retirement plan providers in the country. If there are specific investment options that you are looking for, we will help to find an appropriate provider to supply them.

For smaller companies, a common selection by our clients has been to use a bundled solution. In a bundled plan, the plan record keeper provides both the investment options and performs the plan's administration. The investment options in these plans are typically a mix of mutual funds from many well-known mutual fund companies. A bundled solution can offer a simple solution for clients looking to ease their administrative burden in offering a retirement plan.

As companies grow and their plans get larger, we often see them transition to unbundled solutions where a local Third Party Administrator (TPA) will be used alongside a separate recordkeeper that can offer a wide selection of low cost, highly rated mutual funds.

Complete Turn-Key Administration

PRS provides complete turn-key administration with full enrollment and employee education services for plans of all sizes. This “one contact” solution is convenient for companies without a full time benefits administrator.

Below is an example of what the administration costs would be for a typical PRS client with less than 25 employess. Pricing is slightly different with 26+ employees. The schedule below is from our most commonly used platform, pricing will vary between different TPA's. If you are starting a new plan, you may be eligible for 50% tax credit on your administration fees for the first three years. Check with your accountant for details.

Retirement Plan Administration Costs	
One Person 401(k)	$400
New Comp. Profit Sharing	$1,100
Safe Harbor 401(k)	$1,200
Safe Harbor 401(k) w/ New Comp.	$1,300
412(e)(3)	$1,350
Traditional Defined Benefit	$2,200
Cash Balance	$2,600

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- All plan setup and installation fees have been waived for PRS clients.
- Annual Administration fees may be charged against the plan assets, virtually eliminating all of the employer's direct billed expenses.

We can help you reach your goals with a retirement plan that works.......

Our package includes:

Proactive, personalized, and impeccable service.

Plan design

Monitoring of each portfolio.

Evaluation of individual risk tolerance.

Plan adminsitration

Plan documents and enrollment materials.

Personal, semi-annual account review.

Take action
Four Simple Steps

STEP 1. Complete a request for proposal
We will evaluate your goals, objectives, company census and present a plan design.

STEP 2. Talk to a Professional Retirement Representative
A meeting with a Professional Retirement Services representative will allow us to determine your individual plan needs. Our meeting will discuss specific eligibility requirements, vesting schedules, entry dates, and loan provisions so that we can prepare trust and installation documents.

STEP 3. We will meet with you and your employees
We will provide all plan documents and educate your employees on the details of your new plan.

STEP 4. Fund your Plan
Your plan will be ready to recive funds and participants will have immediate access to view thier accounts.

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