



9 Leone Close
Scarsdale, NY 10583

Phone: 914-574-5023
Fax: 626-236-9349
E-mail:
info@pensionmaxima.com

Pension Maxima Investment Advisory

Five Reasons Your Business is Not Too Small for a 401(k)

by Bonnie Yam, CFA

Myth (1): We are a small business, we don't have enough employees

You can establish a 401(k) for any size business. Owner only businesses qualify too. They can set up an individual 401(k) or Solo 401(k).

Myth (2): We can't afford a company match

Matching is nice, but optional. Compared to a SEP IRA where it's all owner's contribution or a SIMPLE IRA where company match is mandatory, 401(k) match is optional. Company can establish a vesting schedule on match to increase company loyalty.

Myth (3): Tax benefits aren't that big a deal

Saving limits are higher versus most other retirement savings option. Employees can contribute up to \$16,500 tax deferred (\$22,000 if 50+) plus receive employer contributions of up to \$49,000.

Lower limits for SIMPLE IRA and no catch-up contribution for SEP IRA.

All plan expenses and employer contributions (match or profit sharing) are tax deductible.

Business can receive a \$500 IRS tax credit each year for the 1st three years of a new plan establishment. (Exception: Solo 401(k))

Myth (4): 401(k)s are hard to administer

The process has been streamlined and most functions can be administered online, paper free and simple.

Myth (5): 401(k)s are too expensive to set up

Not anymore. Especially with the additional tax benefits from the government, the savings more than justify the cost.

Additional Benefits of 401(k) Plan:

Bankruptcy court protection and **free Roth conversion** (not subject to income limits) within plan.

Pension Maxima Investment Advisory, Inc. Services:

Retirement Platform Design
Fiduciary Service
Investment Tracking and Monitoring
Independent Advice
One-on-one consultation
Gap Analysis
Customized Educational Seminars
Plan Review (no charge)



9 Leone Close
Scarsdale, NY 10583

Phone: 914-574-5023
Fax: 626-236-9349
E-mail: info@pensionmaxima.com

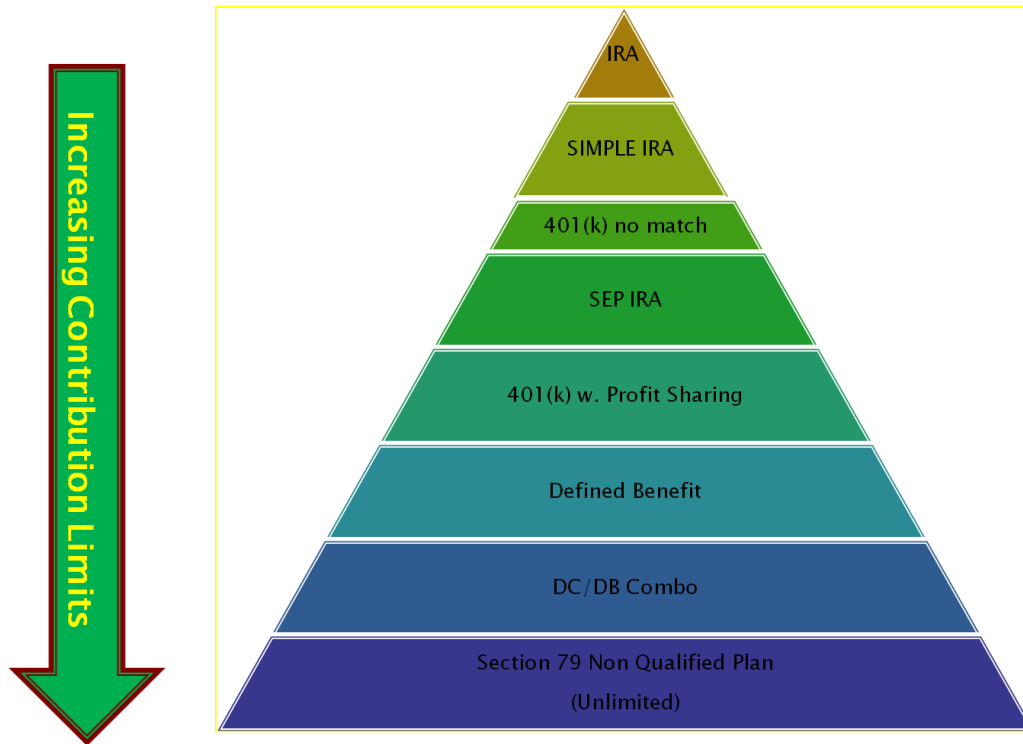
Pension Maxima Investment Advisory

Handy Guide:

A Comparison between different Retirement Plans and Features for Year-end Tax Planning.

Features	Traditional IRA	SEP IRA	SIMPLE IRA	401(k)
Maximum Annual Contribution 2011 (per participant)	Under 50: \$5,000 (tax-deductible portion) 50+: \$6,000	Up to 25% of compensation but no more than \$49,000 <i>No Catch-up</i>	Under 50: \$11,000 50+: \$13,500	Under 50: \$16,500 50+: \$22,000
Contributors to plan	<i>Employee or Participant Only</i>	<i>Employer Only</i>	Employer & Employee	Employer & Employee
Employer Match	Not applicable	All employer contributions	Compulsory	Optional
Contributor's Option	<i>Employee Deferral only</i>	<i>No employee deferral. Employer contributes <u>uniform percent of salary</u> contribution for all staff Members</i>	<i>Employee deferral & Employer Match: <u>3%</u> on all employee contributions or <u>2%</u> of all eligible employee compensations.</i>	<i>Employee deferral. Employer match <u>optional according to terms decided by plan</u></i>
Vesting	100% immediately	100% immediately	100% immediately	May vest over time unless it is a safe harbor plan
Roth Conversion Option	Subject to income limits	No	No	No income limits
Bankruptcy Court Protection	No	No	No	Yes

Contribution Limits Hierarchy



Contributions and Match Obligations

Contribution Limits	Plan	Match for Employees
Up to \$5,000 (\$1,000 catch-up)	IRA	NA
Up to \$11,000 2-3% salary match (\$2,500 catch-up)	SIMPLE IRA	2 to 3% of salary
Up to \$16,500 (\$5,500 catch-up)	401(k) with no match	NA
Up to \$49,000	SEP IRA	Contribute for everyone at <u>uniform rate of salary</u>
Up to \$49,000 (\$5,500 catch-up)	401(k) with Profit Sharing	Depends on design
Up to \$195,000	Defined Benefit	Contribute for everyone at variable level as dictated by plan design
Up to \$244,000 (\$5,500 catch-up)	DC/DB Combo	Need to fund and match as dictated by plan design