

Introducing A Qualified Plan to Your Practice

Qualified Plan Overview

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Agenda

- Why Implement a Plan
- Types of Plans & Benefits
- Implementation
- Open Discussion

Why Implement A Plan?



ATTRACT AND RETAIN
EMPLOYEES



MAXIMIZE OWNER
CONTRIBUTIONS



BUSINESS & PERSONAL
TAX SAVINGS

Types of Plans

Types of Plans



SIMPLE IRA

Safe Harbor
401(k) Plan

SH 401(k) Plan
w/ Profit Sharing

SH 401(k) Plan
w/ Profit Sharing +
Cash Balance Plan



Lower

Contribution Limits
Tax Benefits
Administrative Costs

Higher

Contribution Limits
Tax Benefits
Administrative Costs

Plan Funding Limits



<u>Limits</u>	<u>2023</u>	<u>2024</u>
Maximum Compensation.....	\$330,000	\$345,000
Annual Additions to a Defined Contribution Plan...	\$66,000	\$69,000
Maximum Benefit in Defined Benefit Plan.....	\$265,000	\$275,000
Elective Deferrals (401k Plan).....	\$22,500	\$23,000
50+ Catch-Up Limit.....	\$7,500	\$7,500
Elective Deferrals (SIMPLE IRA).....	\$15,500	\$16,000
50+ Catch-Up Limit.....	\$3,500	\$3,500

XYZ Medical Group



Owner Marginal Tax Bracket: 24%

Medicare Tax Rate: 2.9%

Owner: Name	% Ownership	Age	W-2 Salary	Hours Worked
Owner #1	50%	50	\$330,000	2080
Owner #2	50%	46	\$330,000	2080
Total Owners	100%	-	\$660,000	-

Owner: Name	% Ownership	Age	W-2 Salary	W-2 Salary
Employee #1	0%	38	\$85,000	2080
Employee #2	0%	33	\$65,500	2080
Employee #3	0%	27	\$58,000	2080
Employee #4	0%	24	\$55,000	2080
Employee #5	0%	29	\$50,000	2080
Total Nonowners	0%	-	\$313,500	-

Cost & Benefit Analysis



	SIMPLE IRA Plan	SHNE 401(k) (3%)	SHNE 401(k) (3%) & Profit Sharing	SHNE 401(k) (3%) & Profit Sharing & Cash Balance Plan
Owner Plan Deferrals & Additions				
Owner #1	25,600	39,900	73,500	374,124
Owner #2	22,100	32,400	66,000	366,624
Total Owner Deferrals	47,700	72,300	139,500	740,748
Costs				
Cost of Employee Match, Profit-Sharing, Cash Balance	6,270	9,405	15,675	32,513
Plan Administration Costs (Combined)	3,500	5,900	6,650	13,745
Total Costs	9,770	15,305	22,325	46,258
Tax Savings				
Owner #1 Deferral Tax Reduction	6,144	9,576	17,640	89,790
Owner #1 Deferral Tax Reduction	5,304	7,776	15,840	87,990
Tax Savings from Deductible Expenses & Credits	2,187	5,430	7,867	12,396
Total Tax Savings	13,635	22,782	41,347	190,175
Overall Benefit (Cost) to Owner	\$ 3,865	\$ 7,477	\$ 19,022	\$ 143,918

SIMPLE IRA Plan

- Deferral limit = \$15,500
- 50+ Catch-up = \$3,500
- Employer matching
 1. Non-elective contribution of 2%
 2. Match 100% up to 3%
- 100% Vested
- No TPA, Recordkeeper, or 5500 required



*Business with a SIMPLE IRA plan
are not eligible to layer on any
other retirement plans*

*Deferral limit for 2024 = \$16,000
Catch-up for 2024 = \$3,500*

SIMPLE IRA Plan



Owner: Name	Income	Deferral (\$)	NE (2%) (\$)	NE (2%) (%)	Catch Up	Total (\$)
Owner #1	\$330,000	\$15,500	\$6,600	2.00%	\$3,500	\$25,600
Owner #2	\$330,000	\$15,500	\$6,600	2.00%	\$0	\$22,100
Total Owners	\$660,000	\$31,000	\$13,200	-	\$3,500	\$47,700

Owner: Name	Income	Deferral (\$)	NE (2%) (\$)	NE (2%) (%)	Catch Up	Total (\$)
Employee #1	\$85,000	\$0	\$1,700	2.00%	\$0	\$1,700
Employee #2	\$65,500	\$0	\$1,310	2.00%	\$0	\$1,310
Employee #3	\$58,000	\$0	\$1,160	2.00%	\$0	\$1,160
Employee #4	\$55,000	\$0	\$1,100	2.00%	\$0	\$1,100
Employee #5	\$50,000	\$0	\$1,000	2.00%	\$0	\$1,000
Total Nonowners	\$313,500	\$0	\$6,270	-	\$0	\$6,270

Safe Harbor 401(k) Plan

- Deferral limit = \$22,500
- 50+ Catch-up = \$7,500
- Safe Harbor employer matching options:
 1. Non-elective contribution of 3%
 2. Match 100% up to 3% and 50% on next 2%
 1. EE contributes 5% & ER matches 4%
- 100% Vested
- TPA, Record Keeper, and 5500 required



Safe Harbor design automatically passes all regulatory testing – a signal to the IRS the plan benefits all participants

Deferral limit for 2024 = \$23,000

Catch-up for 2024 = \$7,500

Safe Harbor 401(k) Plan



Owner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	Total\$	Total%	415 Limit
Owner #1	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$7,500.00	\$39,900.00	12.09%	\$73,500.00
Owner #2	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$0.00	\$32,400.00	9.82%	\$66,000.00
Total Owners	\$660,000.00	\$45,000.00		\$19,800.00		\$7,500.00	\$72,300.00		
Nonowner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	Total\$	Total%	415 Limit
Employee #1	\$85,000.00	\$0.00	0.00%	\$2,550.00	3.00%	\$0.00	\$2,550.00	3.00%	\$66,000.00
Employee #2	\$65,500.00	\$0.00	0.00%	\$1,965.00	3.00%	\$0.00	\$1,965.00	3.00%	\$66,000.00
Employee #3	\$58,000.00	\$0.00	0.00%	\$1,740.00	3.00%	\$0.00	\$1,740.00	3.00%	\$66,000.00
Employee #4	\$55,000.00	\$0.00	0.00%	\$1,650.00	3.00%	\$0.00	\$1,650.00	3.00%	\$66,000.00
Employee #5	\$50,000.00	\$0.00	0.00%	\$1,500.00	3.00%	\$0.00	\$1,500.00	3.00%	\$66,000.00
Total Nonowners	\$313,500.00	\$0.00		\$9,405.00		\$0.00	\$9,405.00		
Grand Totals	\$973,500.00	\$45,000.00		\$29,205.00		\$7,500.00	\$81,705.00		
Owner Percentage		100.00%		67.80%			88.49%		

Safe Harbor 401(k) Plan w/Profit Sharing

- Combined EE & ER contribution limits up to \$66,000 (\$73,500 with 50+ catch-up)
- An optional pre-tax “bonus” with tax benefits
- Contributions for previous tax year up until tax filing deadline
- Vesting Schedule
 - 6-year Graded
 - 2-year Cliff
- Profit-Sharing calculations
 - Traditional Profit Sharing
 - Age-Weighted
 - New Comparability



No additional costs to add a profit-sharing feature to a 401(k) plan. Annual one-time profit-sharing calculation.

Annual additions limit = \$69,000

Catch-up for 2024 = \$7,500

Safe Harbor 401(k) Plan w/Profit Sharing



Owner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	NCPS \$	NCPS %	Total\$	415 Limit
Owner #1	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$7,500.00	\$33,600.00	21.12%	\$73,500.00	\$73,500.00
Owner #2	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$0.00	\$33,600.00	12.21%	\$66,000.00	\$66,000.00
Total Owners	\$660,000.00	\$45,000.00		\$19,800.00		\$7,500.00	\$67,200.00		\$139,500.00	
Nonowner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	NCPS \$	NCPS %	Total\$	415 Limit
Employee #1	\$85,000.00	\$0.00	0.00%	\$2,550.00	3.00%	\$0.00	\$1,700.00	2.00%	\$4,250.00	\$66,000.00
Employee #2	\$65,500.00	\$0.00	0.00%	\$1,965.00	3.00%	\$0.00	\$1,310.00	2.00%	\$3,275.00	\$66,000.00
Employee #3	\$58,000.00	\$0.00	0.00%	\$1,740.00	3.00%	\$0.00	\$1,160.00	2.00%	\$2,900.00	\$66,000.00
Employee #4	\$55,000.00	\$0.00	0.00%	\$1,650.00	3.00%	\$0.00	\$1,100.00	2.00%	\$2,750.00	\$66,000.00
Employee #5	\$50,000.00	\$0.00	0.00%	\$1,500.00	3.00%	\$0.00	\$1,000.00	2.00%	\$2,500.00	\$66,000.00
Total Nonowners	\$313,500.00	\$0.00		\$9,405.00		\$0.00	\$6,270.00		\$15,675.00	
Grand Totals	\$973,500.00	\$45,000.00		\$29,205.00		\$7,500.00	\$73,470.00		\$155,175.00	
Owner Percentage		100.00%		67.80%			91.47%		89.90%	

Safe Harbor 401(k) Plan w/Profit Sharing & Cash Balance Plan

- Additional employer contributions allowed to get participants above the \$66,000 limit
- Contribution is specified in the plan document
- Contributions are credited to a “hypothetical account” for each participant each year
- Fixed annual credit and fixed annual interest credit on the account
 - i.e., Fixed annual credit is \$100k
 - i.e., Annual interest credit is 3%
- Contributions fully vested after 3-years



Plan must be maintained for 5-years to satisfy permanency requirements

Annual additions limit = \$69,000

Catch-up for 2024 = \$7,500

Safe Harbor 401(k) Plan w/Profit Sharing & Cash Balance Plan



Owner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	NCPS \$	NCPS %	Cash Balance \$	Cash Balance %	Total\$	Total%
Owner #1	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$7,500.00	\$7,524.00	2.28%	\$326,700.00	99.00%	\$374,124.00	113.37%
Owner #2	\$330,000.00	\$22,500.00	6.82%	\$9,900.00	3.00%	\$0.00	\$7,524.00	2.28%	\$326,700.00	99.00%	\$366,624.00	111.10%
Total Owners	\$660,000.00	\$45,000.00		\$19,800.00		\$7,500.00	\$15,048.00		\$653,400.00		740748	

Nonowner: Name	Income	Deferral\$	EE%	\$Safe Harbor 3%	%Safe Harbor 3%	Catchup	NCPS \$	NCPS %	Cash Balance \$	Cash Balance %	Total\$	Total%
Employee #1	\$85,000.00	\$0.00	0.00%	\$2,550.00	3.00%	\$0.00	\$3,825.00	4.50%	\$1,800.00	2.12%	\$8,175.00	9.62%
Employee #2	\$65,500.00	\$0.00	0.00%	\$1,965.00	3.00%	\$0.00	\$2,947.50	4.50%	\$1,800.00	2.75%	\$6,712.50	10.25%
Employee #3	\$58,000.00	\$0.00	0.00%	\$1,740.00	3.00%	\$0.00	\$2,610.00	4.50%	\$1,800.00	3.10%	\$6,150.00	10.60%
Employee #4	\$55,000.00	\$0.00	0.00%	\$1,650.00	3.00%	\$0.00	\$2,475.00	4.50%	\$1,800.00	3.27%	\$5,925.00	10.77%
Employee #5	\$50,000.00	\$0.00	0.00%	\$1,500.00	3.00%	\$0.00	\$2,250.00	4.50%	\$1,800.00	3.60%	\$5,550.00	11.10%
Total Nonowners	\$313,500.00	\$0.00		\$9,405.00		\$0.00	\$14,107.50		\$9,000.00		\$32,512.50	
Grand Totals	\$973,500.00	\$45,000.00		\$29,205.00		\$7,500.00	\$29,155.50		\$662,400.00		\$773,260.50	

Owner Percentage	100.00%	67.80%	51.61%	98.64%	95.80%
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Implementation

Implementation



SIMPLE IRA	SH 401(k) Profit Sharing Plan	Cash Balance Plan
<p data-bbox="112 491 596 534"><u>Plan & Funding Timeline</u></p> <ul data-bbox="112 605 596 933" style="list-style-type: none"><li data-bbox="112 605 461 648">-Prior to Tax Filing<li data-bbox="112 719 596 933">-Starting in 2024, a SIMPLE IRA plan can be replaced mid-year with a Safe Harbor 401(k) plan	<p data-bbox="761 491 1245 534"><u>Plan & Funding Timeline</u></p> <ul data-bbox="761 605 1488 1048" style="list-style-type: none"><li data-bbox="761 605 1314 648">-Employee Deferrals – 12/31<li data-bbox="761 719 1488 762">-SH Contributions – Prior to Tax Filing<li data-bbox="761 833 1421 876">-Profit Sharing – Prior to Tax Filing<li data-bbox="761 948 1488 1048">-Plan can be adopted as late as 10/15 and effective for previous year	<p data-bbox="1651 491 2135 534"><u>Plan & Funding Timeline</u></p> <ul data-bbox="1651 605 2000 648" style="list-style-type: none"><li data-bbox="1651 605 2000 648">-Prior to Tax Filing

Qualified Plans

The SECURE Act 2.0

1. **Matching for Roth accounts**
2. **Increase Catch-up Contributions (\$10,000)** for individuals aged 62 through 64
3. **New Credits** to incentivize small businesses to sponsor a plan
 - Eligible employers may be able to claim a tax credit of up to \$5,000 for three years.
4. **Delayed Required Minimum Distributions**
5. **Roth SIMPLE & SEP IRAs**
6. **Auto-Enrollment** required for all new 401(k) plans



RMD Beginning Ages

6/30/1949 or earlier	70.5
7/1/1949 to 1950	72
1951 to 1959	73
1960 or later	75

Open Discussion