RETIREMENT PLANS — DESIGN OPTIONS


The Age-Weighted Profit Sharing Option

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Profits shared with employees | Benefits highly compensated and older employees

If a profit sharing plan is weighted by age and compensation, an older employee can obtain a larger share of allocated contributions. Each year, the amount can be determined by formula, Board of Directors, or similar entity.


The New Comparability Option

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Profits shared with employees | Benefits a preferred group of employees

A new comparability plan can provide different benefit levels to different groups of employees — employee groups that are defined by the plan sponsor. By adopting a new comparability plan or adding a new comparability formula to an existing 401(k), 403(b), etc., the company provides greater benefits to a specified group of employees.

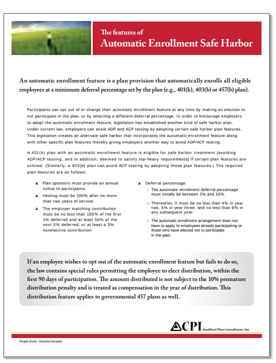

The Permitted Disparity Option

Permitted Disparity Option

Greater gross contribution for higher-income workers

Permitted disparity takes into consideration the employer's contributions with Social Security withholdings on behalf of the participant when allocating a nonelective contribution. It enables a greater gross contribution for higher-income workers that earn well above the Social Security wage base as well as allow the maximum difference under the Internal Revenue Code Section 401(1).


The Safe Harbor Option


The features of Automatic Enrollment Safe Harbor

Safe Harbor and Automatic Enrollment

The allure of a safe harbor plan is that it is exempt from the ADP and ACP tests which are two nondiscrimination tests that 401(k) plans must satisfy every year. Employers can avoid those unpalatable adjustments and refunds to the plan. In return, employers must make a minimum contribution to employees' accounts. Even if a plan sponsor does not take advantage of safe harbor status for testing purposes, it may make sense to add just the automatic enrollment feature to the plan and take advantage of the extension of time for ADP/ACP testing and refunds.

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CPI Qualified Plan Consultants, Inc.