

# Plan Comparison



Let's take a quick look at how the three plans work together.

Safe Harbor 401(k) Plan		Profit Sharing Plan	Cash Balance Plan
Employee Contribution	Employer Contribution	Employer Contribution	Employer Contribution
<ul style="list-style-type: none"> <li>Maximum employee contribution including catch-up for 2020:                             <ul style="list-style-type: none"> <li>\$19,500 &lt; age 50</li> <li>\$26,000 &gt; age 50</li> </ul> </li> <li>May require employee to be age 21 or older and to complete 1 year (1,000 hours) of work before becoming eligible</li> </ul>	<ul style="list-style-type: none"> <li>Required annual employer contribution</li> <li>May use 3% non-elective or a matching formula</li> <li>Immediate vesting</li> </ul>	<ul style="list-style-type: none"> <li>Discretionary employer contribution</li> <li>May need to contribute ~5% to employees to pass compliance testing</li> <li>Up to 6-year graded vesting</li> <li>A new comparability formula is used to minimize costs to the business</li> </ul>	<ul style="list-style-type: none"> <li>A Defined Benefit plan that allows a large benefit to business owners</li> <li>Pooled, Trustee-Directed assets</li> <li>Consistent annual contribution is required</li> <li>Must work with an actuary for administration, plan documents, and filings</li> <li>Must be tested with 401(k) plan to pass annual compliance testing</li> <li>Must cover 40% or more of employees</li> <li>Up to 3-year cliff vesting</li> <li>Employer must guarantee rate of return</li> <li>Plan should be in place for 3 years minimum</li> <li>Maximum lifetime balance (contributions + growth) per person is ~\$2.9mil</li> <li>Assets in the plan are generally creditor-protected</li> </ul>
Up to \$64,500 in contribution <sup>1</sup>			Up to \$407,500 contribution <sup>1</sup>

<sup>1</sup> 2021 annual contributions, see next page for detail

# 2021 Contribution Limits



## 401(k) Profit Sharing and Cash Balance Plans

Age	401(k) with Profit Sharing <sup>1</sup>	Cash Balance <sup>2</sup>	Total	Tax Savings <sup>3</sup>
70	\$64,500	\$343,000	\$407,500	\$136,295
65	\$64,500	\$276,000	\$340,500	\$114,185
60	\$64,500	\$266,000	\$330,500	\$110,885
55	\$64,500	\$207,000	\$271,500	\$91,415
50	\$64,500	\$162,000	\$226,500	\$76,565
45	\$58,000	\$126,000	\$184,000	\$62,085
40	\$58,000	\$98,000	\$156,000	\$52,845
35	\$58,000	\$77,000	\$135,000	\$45,915

<sup>1</sup> 401(k): \$19,500 employee deferral with \$6,500 catch up if over age 50; Up to \$38,500 with profit sharing

<sup>2</sup> Cash Balance contributions are based on many variables, specific results may vary.

<sup>3</sup> Tax Savings: Assumes 40% personal tax rate & 33% corporate tax rate. Taxes vary by state. Taxes are deferred until withdrawal at retirement

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