

Profit Sharing: 101

What is it & How does it work?

There are 3 main parts of a 401(k). Employee Deferrals & Employer Match are the first two. The more mysterious, and most magical, portion is the third - Profit Sharing. Understanding how the Profit Sharing portion can work for your plan is the best way to maximize your results - from Company Tax Deductions, Employee Retention, or simply more employer flexibility...

What is Profit Sharing & How does it work?

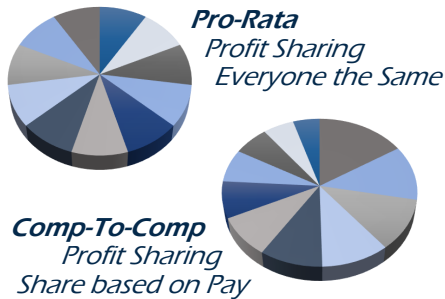
Profit Sharing is an optional Annual Employer Discretionary Contribution to employees' 401(k). There is no Payroll Tax & it is 100% tax deductible for the company. It is a great employee retention tool as well as a great incentive to increase productivity from your employees as an "Earned Benefit" at the end of each year. The right formula gives a company flexibility to change year to year as needs change.

Voluntary Employer Contribution - 100% Tax Deductible

Does not have to be used every year...

Vesting can be Immediate or delayed for up to 6 years...

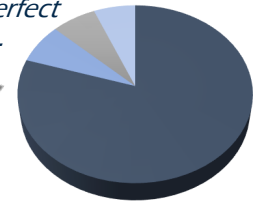
New Comp - Can be used as bonuses for individual employees



We help you choose the best fit for your Team!!

New Comparability could be the perfect solution for you...

Our Experts can help you Maximize your Benefit



The most common Allocation Formulas



New Comp Formula
(Default for PPC)

	How does it work?	What Companies benefit the most?	Example
Pro-Rata Formula	Fixed Formula - Same % for everyone.	Companies who want a tax deduction, but simply want to provide the same benefit to all employees.	3% for all employees (0% - 25% Range)
Comp-to-Comp Formula	Fixed Formula - % of the pie based on their annual pay	Companies who want to provide a higher share to their higher paid employees & still provide a benefit for the lower paid employees.	6% for higher paid - 3% for lower paid (Sliding Scale)
New Comp Formula (Default for PPC)	Flexible Formula - Variable Amounts for employees or groups	Companies who want maximum flexibility to choose those who receive added benefits to maximize the effectiveness of the company benefit.	Based on your company direction, subject to limits

(Subject to Annual Contribution Limits & New Comparability Testing for some plans. Our Actuaries & Plan Administrators can answer any specific questions you have & adjust each year to design the best options for any plans and situation).