A Flexible Solution to **Increase Tax Deductions, Build Retirement Savings, and Retain Employees**

HOW A PROFIT-SHARING PLAN CAN BE A SOLUTION THAT ACHIEVES ALL OF THESE GOALS.

What is a Profit-Sharing Plan?

A profit-sharing plan is a type of qualified plan that allows business owners to make flexible, discretionary contributions on behalf of themselves and their employees. These contributions are held inside of the plan for the future benefit of the participants. Profit-sharing plans provide many benefits to business owners including:

Tax Deductible Contributions

Employer contributions made on behalf of plan participants reduce the businesses' tax liability.

Tax Deferred Growth

Profit-sharing contributions do not result in immediate taxable income for the plan participants and grow on a tax-deferred basis.

Flexibility

Profit-sharing contributions can be changed each year to accommodate the business' budget.

Employee Retention

Profit-sharing plans allow for businesses to share their success with their employees through contributions made into the plan on their behalf, helping to improve employee retention and reducing turnover costs.

Retirement Savings

Profit-sharing plan participants can use the funds held for their benefit within the plan to provide supplementary income during their retirement years.

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Profit-Sharing Plans

Additional Advantages

- Plan can be designed to favor select participants, including the business owner.
- Employer can establish plan eligibility requirements that employees must meet in order to receive a contribution in the plan.
- Assets protected from creditors.
- There are many options available to fund plan benefits, including annuities and life insurance.

A Profit-Sharing Plan May Be Funded With Permanent Life Insurance

Why Include Life Insurance?

- Can complete retirement funding in the event of premature death. Beneficiary receives the death benefit along with the value in the Profit-Sharing account.
- Premiums are paid with tax-deductible plan dollars.
- Frees up personal dollars that would be used to purchase insurance outside the plan.
- Policy is portable. At termination or retirement, insurance coverage can be continued, eliminating need to convert to costly group insurance.

Which Profit-Sharing Plan is Best for Your Business?

Traditional Profit-Sharing – Everyone receives the same percentage of their pay as a contribution. This plan is appropriate if only owners of the business are eligible to participate.

Integrated Profit-Sharing – Employees earning over the Social Security wage base (refer to IRS.gov for current year's taxable wage base) receive a higher percentage plan contribution than those earning under the Social Security wage base. This plan is appropriate if the business owners are younger than most of their employees and their earnings are greater.

Age-Weighted Profit-Sharing – The majority of plan contributions go to older employees who are closer to retirement. This plan is appropriate if you are older than your employees or if you want to favor older, long-time employees.

Cross-Tested Profit-Sharing – Allows you to classify employees into different 'groupings,' which allows you to allocate a higher amount of the contribution to yourself and a lower amount to employees. This plan is appropriate if you are five to 10 years older than the average age of your employees.