

new comparability plans

When it comes to saving for retirement, there are many choices available to help participants set aside more for their future. We're here to help with our New Comparability plan.

Here's a plan that allows employers to maximize contributions to a targeted group. In other words, there are different benefit structures for different divisions. This option can stand alone or be used in conjunction with other plan designs.

The concept behind New Comparability is to demonstrate that a specific group of employees is achieving comparable benefits to those achieved by another group by testing on the basis of benefits at retirement rather than current contributions. In order for such a plan to meet non-discrimination requirements, certain minimum contributions are required for all benefiting employees.

Establishing Groups

The structure of the groups must be clearly defined in the plan document. There can be as few as two groups (e.g., highly compensated employees and non-highly compensated employees), or many more based on classifications such as service, job title, division, age, etc.

Good Candidates

Companies with owners and key employees who are older than a significant portion of their employees are good candidates for a New Comparability plan. Keep in mind, if the goal is to maximize contributions for certain groups, the employer should be willing to make flexible contributions, which may vary with demographics.

Annual Contribution Limits

The example on the next page, based on 2015 annual contribution limits, illustrates how New Comparability plans stack up against other profit sharing plans. It shows what percentage of profit sharing contributions can go to highly compensated versus non-highly compensated employees. It also demonstrates that with a New Comparability profit sharing plan highly compensated employees can receive the maximum benefit with less total cost to the company.

Comparison by Plan Type

2015 Maximum Contribution Illustration

Employee	Age	Compensation	New Comparability	Integrated Profit Sharing	Pro Rata Profit Sharing
A	50	\$265,000	\$53,000	\$53,000	\$53,000
B	45	\$265,000	\$53,000	\$53,000	\$53,000
C	40	\$40,000	\$2,000	\$6,740	\$8,000
D	32	\$35,000	\$1,750	\$5,897	\$7,000
E	28	\$28,000	\$1,400	\$4,718	\$5,600
F	25	\$20,000	\$1,000	\$3,370	\$4,000
Total		\$633,000	\$112,150	\$126,725	\$130,600
% to HCE			94%	83%	81%
% to NHCE			6%	17%	19%

HCE=Highly compensated employees (A&B)

NHCEs=Non-highly compensated employees (C,D,E & F)

The illustration above is hypothetical and is for illustration purposes only.

More Information

A New Comparability plan may be just the plan you're looking for.

Contact your Financial Professional for more information on your retirement plan strategies.



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