

Which retirement plan is right for your business?

Getting started

As a business owner, you know that your company's success takes preparation and effort. Your retirement years are no different. The appropriate business retirement plan can incorporate the flexibility you need while helping you to prepare for your retirement - as well as attract and retain quality employees.

Once you've determined your objectives, you can evaluate your options based on the needs of your business and employees. Then you can begin the process of selecting the right retirement plan for your business.

Businesses with no employees

If you're like many other self-employed individuals, you probably want to know how much you can save for retirement each year and how your contributions will affect your taxes, both now and in retirement. There are three primary options available to help you achieve your goals:

SEP IRA

This plan allows you to make an annual contribution of the lesser of 25% of your eligible compensation or \$56,000.

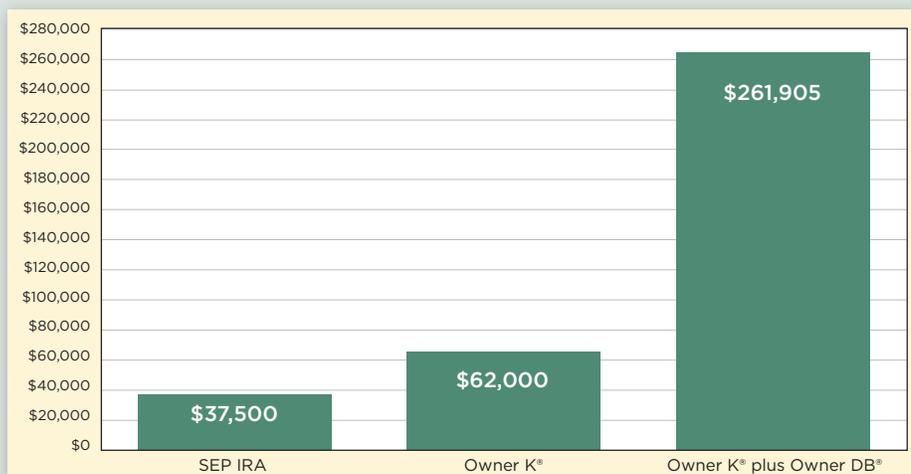
Owner K[®]

This plan may offer the ability to contribute more than the dollar limits of a SEP IRA at the same compensation: 25% plus salary deferral contributions (pretax or Roth) of up to \$19,000, plus a catch-up contribution of up to \$6,000 if age 50 or older; maximum \$56,000 or \$62,000 if age 50 or older.

Owner DB[®]

Contributions to this plan can significantly exceed the dollar limits of the SEP IRA and the Owner K[®], even more than \$100,000 annually. This retirement plan can be combined with an Owner K[®] for even greater contributions and flexibility or for Roth salary deferrals.

This chart can help you better understand which retirement plan may make sense for your business. It assumes maximum compensation and contribution limits.



This chart is for illustrative purposes only. Calculations use 2019 cost-of-living adjustment (COLA) limits and will vary depending on U.S. Census information. It assumes there is only one owner who is age 60 earning \$150,000 in W-2 compensation. Catch-up contributions are included. Defined benefit contributions are determined by an actuary and may be affected by factors including account value, interest rate assumptions and the age of the plan participant. All calculations assume maximum deferrals (Roth or pretax) by the owners. Higher administration costs may be associated with customized plan designs/allocations. Obtain a customized illustration before determining which plan is suitable.

All dollar limits apply to 2019 and are subject to annual cost-of-living adjustments.

Businesses with employees

Many business owners are primarily concerned with how much they can contribute to their own retirement plan and how much they're required to contribute for employees. In most situations, one of the following three options is an appropriate fit. You'll notice a marked increase in both the contribution limits for 2018 and the disparity between what owners and employees receive.

SIMPLE IRA

Plan participants may defer up to \$13,000 pretax or \$16,000 if age 50 and older, with a required employer match up to 3% of compensation to contributing employees or a 2% contribution to all eligible employees.

Safe Harbor 401(k)

Plan participants may defer up to \$19,000 (pretax or Roth) or \$25,000 if age 50 and older, with a required employer match of up to 4% of compensation* to contributing employees or a 3% contribution to all eligible employees. The employer may make additional profit-sharing contributions.

Custom plans

Options include age-weighted, "tiered" and other specialized profit-sharing plans, defined benefit plans and combinations of these plans, including 401(k)

plans. These plans allow maximum contributions for owners and select employees, often without significant increases in the contributions required for employees.

Next steps

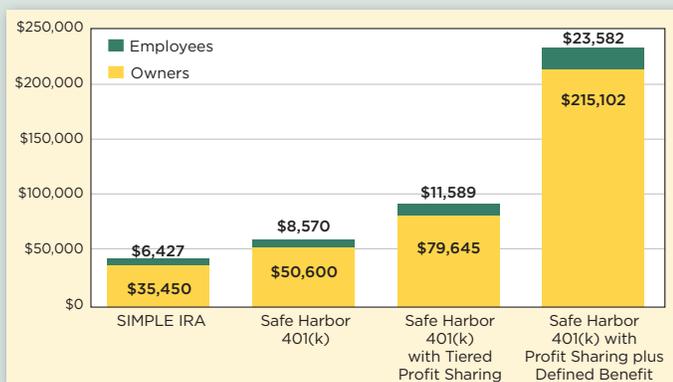
Whether you have employees or not, the retirement plan you choose may have a large impact on your personal and professional life. Your Edward Jones financial advisor can help you weigh your options and educate you on the different plan types available for you and your business.

These five steps have helped many businesses provide the right plan. Meet with your financial advisor to:

1. Determine your retirement savings objectives
2. Determine your business and employee benefit goals
3. Complete the Employer Retirement Plan Questionnaire
4. Review the plan analysis with your tax professional to see what plan meets your personal and business goals
5. Implement and monitor your plan at least annually

For more information, contact your financial advisor today.

This chart can provide a clearer idea of which plan may be appropriate for your business. It assumes maximum compensation and contribution limits.



This chart is for illustrative purposes only. Calculations use 2019 COLA limits and will vary depending on census information. It assumes nine employees, two of whom are owners (husband and wife). The assumed income for the two owners is \$270,000 and \$35,000, while using a total salary of \$214,000 for the nine employees. No catch-up contributions are included, as all employees are younger than 50. SIMPLE IRA and Safe Harbor 401(k) calculations assume that participants defer enough to receive the maximum amount of match: SIMPLE IRA = 3% match, Safe Harbor 401(k) = 4% match. In addition, both the Safe Harbor 401(k) with profit sharing and Safe Harbor 401(k) with profit sharing plus defined benefit include a 3% nonelective Safe Harbor contribution, and assume that participants deferred on average 2%. Defined benefit contributions are determined by an actuary and may be affected by factors including account value, interest rate assumptions and the age of the plan participants. All calculations assume maximum deferrals (Roth or pretax) by the owners and do not include any deferrals for the remaining employees. All contributions to the "Employees" group are made by the employer. Higher administration costs may be associated with customized plan designs/allocation. Obtain a customized illustration before determining which plan is appropriate.

*Employers may opt to use a formula that matches dollar-for-dollar up to 3% plus \$0.50 per dollar above 3% up to 5%.

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