Business Retirement Plans

Choose Wisely

BNY MELLON RETIREMENT

Business Retirement Plans

BNY Mellon Retirement is here to help you craft the bold solutions that help deliver successful retirement outcomes.

Americans are expected to largely fund their own retirements, especially if they hope to live above the base levels of income provided by Social Security. Employer-sponsored retirement plans are one of the primary vehicles for helping business owners and their employees save and invest for their desired retirement outcomes.

No matter the size of the business, there is a retirement plan to suit your client's needs. This guide is intended to quickly guide you through the variety of plans, their features, and benefits.

While each plan type is different, they share common benefits.

- Tax-deferred investment earnings for employees to accelerate the growth of retirement savings.
- Attract, hire and keep quality employees.
- Tax relief for business owners. Employer contributions to a retirement plan are a tax-deductible expense.

For more information please contact your Regional Consultant.

1-877-344-6899

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SIMPLE IRA — EMPLOYERS WITH 1–100 EMPLOYEES

SIMPLE IRAs (Savings Incentive Match Plan for Employees) may be ideal for business owners with 100 or fewer workers who would like their employees to share responsibility for their own retirement savings, without the cost and administration of a 401(k). Often used by stores and restaurants with numerous employees and frequent turnover, as well as professional firms and other small companies.

SIMPLE IRA	
Intended for	Governmental, tax-exempt and for-profit entities with 100 or fewer eligible employees seeking an alternative to the 401(k), with fewer administrative requirements
Important Deadlines	Plans administered on a calendar-year basis New plans must be set up by October 1 Annual 60-day notice to eligible employees required Employer contributions must be made by employer's tax-filing deadline, including extensions
Eligible Participants	**Must include all employees who:** • Earned at least $5,000 during any two preceding years • Reasonably expect to earn at least $5,000 in current year Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens
Who Contributes	Employer contributions required Employee pretax salary deferrals optional
Contribution Limits	$12,500 employee deferral limit Minimum employer contribution required. Employer must match deferrals dollar for dollar up to 3% of compensation (can be lowered to 1% in two out of last five years) OR employer must make a 2% nonelective contribution for all eligible employees 2% nonelective contribution subject to $265,000 compensation cap Catch-up contributions up to $3,000 may be made by participants age 50 or over. These contributions must also be matched by employer
Vesting	Participants are immediately 100% vested in salary deferrals and employer contributions
Loans and Withdrawals	Withdrawals taxed as ordinary income and may be subject to a 10% penalty tax if taken prior to age 59½ (a 25% penalty applies if distributions are taken within the first two years of the date when the participant made the first contribution to the plan) Exceptions to 10% penalty tax include: death, disability, certain medical expenses, qualified health insurance payments, qualified higher education expenses, a qualified first-time home purchase and substantially equal payments under Section 72(t) Minimum distributions required at age 70½ No loans
Reporting Requirements and Administration	Employees must be notified of their option to participate 60 days before they become eligible and annually thereafter No IRS filing required

SEP IRA — ANY SIZE EMPLOYER

SEPs (Simplified Employee Pension plans) are popular with self-employed workers and small business owners who want relatively easy administration and the ability to make discretionary tax-deductible contributions determined at the end of each year. Employers can make annual tax-deductible contributions for each participant, of up to the lesser of $53,000 (2016), or 25% of compensation (based on the first $265,000 of compensation).

SEPs also may be ideal for freelancers, independent contractors, part-timers and individuals who earn any self-employment income from activities outside of their full-time jobs.

SEP IRA	
Intended for	Sole proprietors or small business owners with variable earnings looking for a retirement plan with minimal administration Individuals with self-employment income, earned on a full or part-time basis
Important Deadlines	Plan must be set up and funded by the employer's tax-filing deadline, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have earned at least $600 • Worked three out of the preceding five years for the employer Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Aliens
Who Contributes	Employer contributions only Employer's contribution is discretionary

Contribution Limits	Maximum employer contribution is the lesser of $53,000 or 25% of compensation (based on the first $265,000 of compensation) (20% for self-employed individuals) Social Security integration permitted May be paired with a profit-sharing plan Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation
Vesting	Participants are immediately 100% vested
Loans and Withdrawals	Withdrawals taxed as ordinary income and may be subject to a 10% penalty tax if taken prior to age 59½ Exceptions to 10% penalty tax include: death, disability, certain medical expenses, qualified health insurance payments, qualified higher education expenses, a qualified first-time home purchase and substantially equal payments under Section 72(t) Minimum distributions required at age 70½ No loans
Reporting Requirements and Administration	No IRS filing required Top-heavy testing required

INDIVIDUAL 401(k) — FOR OWNERS AND IMMEDIATE FAMILY EMPLOYEES

Designed specifically for owner-only businesses that employ a spouse or the owner's immediate family members. Also available to small businesses whose only employees are part-time employees and are not eligible to participate in the plan.

Individual 401(k)	
Intended for	Designed for corporations, partnerships, sole proprietorships and nonprofit entities that employ: 1) owners and immediate family members, 2) owners with part-time or seasonal employees who can be excluded from the plan Not designed for employers with rank-and-file employees
Important Deadlines	Must be set up by the last day of the plan year Employer contributions must be made by employer's tax-filing date, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed one year of service (at least 1,000 hours) Employer may set less restrictive eligibility standards **Automatically excludes:** • Union employees • Nonresident aliens
Who Contributes	Salary deferrals optional Employer contributions optional After-tax contributions available by adding a Roth 401(k)

Contribution Limits	$18,000 employee deferral limit Maximum tax-deductible profit-sharing contribution is 25% of eligible payroll, not including payroll deferral (20% for self-employed individuals) Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation In addition, catch-up contributions limited to $6,000 may be made by participants age 50 or over
Vesting	Participants are immediately 100% vested in salary deferrals and employer contributions
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 A Roth distribution requires one of the above triggering events (except separation from service after age 55) **and** the participant to have held the account for five years Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available
Reporting Requirements and Administration	Form 5500 filing is required for plan(s) or combined plans with assets of $250,000 or more; or if there are non-owner employees; or an owner's parents, children or grandchildren are participants or if the company is part of a controlled group

401(k) — ANY SIZE EMPLOYER

The traditional 401(k) plan is designed for businesses of all sizes that intend for their employees to share responsibility for retirement savings. Because 401(k)s offer many features such as auto-enrollment, auto-escalation of contributions, loans, hardship withdrawals, and others, the 401(k) typically requires more administration than other plan types.

401(k)	
Intended for	Any size employer (tax-exempt and for-profit entities) who want to offer a salary reduction plan with a maximum number of design options
Important Deadlines	Must be set up by the last day of the plan year Employer contributions must be made by employer's tax-filing date, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed one year of service (at least 1,000 hours) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens
Who Contributes	Employee pretax salary deferrals optional Employer contributions optional After-tax contributions available by adding a Roth 401(k)
Contribution Limits	$18,000 employee deferral limit Maximum tax-deductible employer contribution is 25% of eligible payroll, not including payroll deferral Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation In addition, catch-up contributions limited to $6,000 may be made by participants age 50 or over
Vesting	Participants are immediately 100% vested in salary deferrals Vesting schedule permissible for employer contributions
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 A Roth distribution requires one of the above triggering events (except separation from service after age 55) and the participant to have held the account for five years Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available
Reporting Requirements and Administration	Plans are subject to Form 5500 filings and other ERISA requirements Requires top-heavy and nondiscrimination testing

SAFE HARBOR 401(k)

For companies that like the features of a 401(k) but have the potential to run afoul of its nondiscrimination and top-heavy testing requirements, a Safe Harbor 401(k) may be a good solution. Safe Harbor 401(k)s are common for large companies, and companies whose highly compensated employees' contributions are limited by non-highly compensated employees not participating, or not contributing enough to the plan.

Safe Harbor 401(k)	
Intended for	Any size employer (tax-exempt and for-profit entities) who want a salary reduction plan with a maximum number of design options **Best for:** • Companies with a large percentage of highly compensated employees • Top-heavy plans with low participation rates • Plans failing ADP/ACP tests
Important Deadlines	30–90 day annual notice must be given to all eligible employees Plan must have at least a three-month plan year. Therefore calendar-year plans must be established by October 1 Employer contributions must be made by employer's tax-filing date, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed one year of service (at least 1,000 hours) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens
Who Contributes	Safe Harbor employer contributions required Employee pretax salary deferrals optional Other employer contributions permitted After-tax contributions available by adding a Roth 401(k)
Contribution Limits	$18,000 employee deferral limit Maximum tax-deductible employer contribution is 25% of eligible payroll, not including payroll deferral
Contribution Limits Continued	Employer must match 100% of deferrals up to the first 3% of compensation and 50% of deferrals up to the next 2% of compensation. Alternatively, the employer may make a nonelective contribution of 3% of compensation for each eligible employee Additional discretionary contributions are permitted Overall limits are the same as a Traditional 401(k) In addition, catch-up contributions limited to $6,000 may be made by participants age 50 or over
Vesting	Participants are immediately 100% vested in salary deferrals and mandatory Safe Harbor employer contributions Vesting schedule permissible for discretionary employer contributions
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 A Roth distribution requires one of the above triggering events (except separation from service after age 55) **and** the participant to have held the account for five years Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available
Reporting Requirements and Administration	Annual employee notification requirements under Safe Harbor 401(k) Plans are subject to Form 5500 filings and other ERISA requirements No nondiscrimination testing on salary deferrals or Safe Harbor employer-matching contributions No top-heavy testing required if the employer contributions are made "solely" on the basis of the Safe Harbor formula

PROFIT-SHARING — ANY SIZE EMPLOYER

For those who like the features of a SEP IRA, but want more control over your plan's eligibility and vesting, and don't mind some additional administrative responsibilities, a Profit-Sharing plan in one of its several forms may be a better option. Profit-Sharing plans may be suitable for businesses with unpredictable earnings as well as those with part-time employees and/or high employee turnover.

AGE-WEIGHTED Profit Sharing Plan
An Age-Weighted plan can tip the profit sharing contributions in favor of the company's older and higher-paid employees. With an Age-Weighted plan, contributions are based on a formula that takes age, as well as compensation, into account. As a result, employees with fewer years left until they retire receive larger contributions than their younger counterparts.

NEW COMPARABILITY Profit Sharing Plan
New Comparability plans allocate contributions according to a formula in which employees are categorized by a variety of criteria including tenure, age, ownership, and job function. Each category may then receive a different contribution percentage.

SUPER COMPARABILITY Profit Sharing Plan
New Comparability plans sometimes run into non-discrimination testing and top-heavy testing constraints. Super Comparability plans combine aspects of Safe Harbor 401(k) plans and New Comparability plans to help maximize contributions for highly compensated employees.

Your Plan advisor or Third Party Administrator (TPA) can help to tailor a profit sharing plan to the specific objectives of your business.

	Profit-sharing	Age-weighted Profit-sharing	New Comparability Profit-sharing	Super Comp Profit-sharing
Intended for	Any size employer (tax- exempt and for-profit entities) who want a salary reduction plan with a maximum number of design options **Potentially best for:** Sole proprietors or small business owners with variable earnings looking for a plan with flexible design options	Any size employer (tax-exempt and for-profit entities) who want a salary reduction plan with a maximum number of design options **Potentially best for:** Businesses with older, higher paid owners and younger employees	Any size employer (tax-exempt and for-profit entities) who want a salary reduction plan with a maximum number of design options **Potentially best for:** Businesses interested in rewarding certain groups of employees based on age, tenure and other reasonable business criteria	Any size employer (tax-exempt and for-profit entities) who want a salary reduction plan with a maximum number of design options **Potentially best for:** Businesses whose owners and higher paid employees cannot maximize contributions because of low participation rates among lower paid employees
Important Deadlines	Must be set up by the last day of the plan year Employer contributions must be made by employer's tax-filing date, including extensions	Must be set up by the last day of the plan year Employer contributions must be made by employer's tax-filing date, including extensions	Must be set up by the last day of the plan year Contributions must be made by employer's tax-filing date, including extensions	30–90 day annual notice must be given to all eligible employees Calendar-year plans must be established by October 1 Employer contributions must be made by employer's tax-filing date, including extensions

	Profit-sharing	Age-weighted Profit-sharing	New Comparability Profit-sharing	Super Comp Profit-sharing
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees
Who Contributes	Employer contributions only Employer's contribution is discretionary	Employer contributions only Employer's contribution is discretionary	Employer contributions only Employer's contribution is discretionary	Safe Harbor employer contributions required Employer's contribution is discretionary and based on actuarial projection of retirement benefits Employee pretax salary deferrals optional After-tax contributions available by adding a Roth 401(k)
Contribution Limits	Maximum tax-deductible employer contribution is 25% of eligible payroll (20% for self-employed individuals) Social Security integration permitted May be paired with a 401(k) feature Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation	Maximum tax-deductible employer contribution is 25% of eligible payroll (20% for self-employed individuals) May be paired with a 401(k) feature Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation	Maximum tax-deductible employer contribution is 25% of eligible payroll (20% for self-employed individuals) May be paired with a 401(k) feature Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation	Maximum tax-deductible employer contribution is 25% of eligible payroll (20% for self-employed individuals) May be paired with a 401(k) feature Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation In addition, catch-up contributions limited to $6,000 may be made by participants age 50 or over Employer must match 100% of deferrals up to the first 3% of compensation and 50% of deferrals up to the next 2% of compensation. Alternatively, the employer may make a non-elective contribution of 3% of compensation for each eligible employee

PROFIT-SHARING — ANY SIZE EMPLOYER CONTINUED

	Profit-sharing	Age-weighted Profit-sharing	New Comparability Profit-sharing	Super Comp Profit-sharing
Vesting	Vesting schedule permissible	Vesting schedule permissible	Vesting schedule permissible	Participants are immediately 100% vested in salary deferrals and Safe Harbor employer contributions Vesting schedule permissible for discretionary employer contributions
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Hardship withdrawals available Loans available
Reporting Requirements and Administration	Plans are subject to Form 5500 filings and other ERISA requirements Subject to top-heavy testing and nondiscrimination rules	Plans are subject to Form 5500 filings and other ERISA requirements Subject to top-heavy testing and nondiscrimination rules	Plans are subject to Form 5500 filings and other ERISA requirements Subject to top-heavy testing and nondiscrimination rules	Employee notification requirements under Safe Harbor 401(k) Plans are subject to Form 5500 filings and other ERISA requirements No nondiscrimination testing on salary deferrals or Safe Harbor employer-matching contributions Top-heavy testing may not be required, depending on application of Safe Harbor formula

About MONEY PURCHASE PENSION PLANS

The Profit-Sharing plan has made the Money Purchase Pension plan obsolete by giving employers the flexibility of making plan contributions discretionary rather than mandatory.

403(b) — CERTAIN PUBLIC EDUCATION AND TAX-EXEMPT 501(c) EMPLOYERS

403(b) plans may be maintained by government and tax-exempt (non-profit) organizations under section 501(c)(3), churches, and educational organizations. They may be stand-alone plans or supplemental to other plans, for example in addition to a defined benefit plan.

403(b)	
Intended for	§501(c)(3) tax exempt, public schools (K-12), public colleges and universities, churches, synagogues and mosques
Important Deadlines	The Department of Labor (DOL) has Safe Harbor guidelines for timely deposit of contributions **Participant contributions** • Plans with fewer than 100 participants: deposited no later than the 7th business day following the day the amounts would have been payable in cash • Plans with at least 100 participants: participant contributions deposited on the earlier of (1) the 15th business day of the month following the month the contribution is withheld by the employer, or (2) the earliest date the contributions can be consistently segregated from the employer's general assets **Employer matching contributions and discretionary contributions** • Must be made within 9½ months after the end of the plan year
Eligible Participants	**Must include employees except:** • Employees who intend to contribute $200 or less per year • Non-residents • Employees who participate in another elective deferral plan • Employees who work less than 20 hours per week
Who Contributes	Employee pretax salary deferrals optional After-tax contributions available by adding a Roth option Employer contributions optional
Contribution Limits	$18,000 employee deferral limit Overall maximum contribution per eligible employee is 100% of compensation not to exceed $53,000 based on the first $265,000 of compensation Catch-up contributions limited to $6,000 may be made by participants age 50 or over A rule unique to 403(b) participants allows employees with 15 or more years of service to contribute up to an additional $3,000 from their salary, for up to five years
Vesting	Participants are immediately 100% vested in salary deferrals and employer contributions

Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 • Financial hardship as defined in the Internal Revenue Code A Roth distribution requires one of the above triggering events (except separation from service after age 55) and the participant to have held the account for five years Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Loans are available if the plan permits. May borrow up to the lesser of: $50,000 reduced by the highest outstanding loan balance during the last 12-month period at the time you apply for the loan **Or** 50% of the individual's plan assets
ERISA or Non-ERISA	403(b) plans sponsored by governmental and public education employers are exempt from ERISA. 403(b) plans sponsored by religious organizations are also exempt from ERISA, but may elect ERISA coverage Private sector (nongovernmental) 403(b) plans established by 501(c)(3) tax-exempt organizations that meet certain requirements may be exempt from ERISA
Reporting Requirements and Administration	ERISA Plans are subject to Form 5500 filings Generally, the Code requires that employer contributions (other than in a governmental plan, a church plan or a 403(b) plan safe-harbor 403(b) plan) satisfy the following nondiscrimination requirements: • The percentage of highly compensated employees as compared to non-highly compensated employees benefiting under the plan is not unduly high according to the minimum coverage tests; • Does not favor HCEs in terms of contributions, benefits, rights, features, plan amendments or plan terminations; and • The average contribution percentage rules relating to matching and after-tax employee contributions

457 PLAN — STATE OR LOCAL GOVERNMENT, OR A TAX-EXEMPT ORGANIZATION UNDER IRC 501(C)

457 plans may be maintained by government and tax-exempt (non-profit) organizations under section 501(c)(3), churches, and educational organizations. They may be stand-alone plans or supplemental to other plans, for example in addition to a defined benefit plan.

	Governmental 457(b)	Non-Profit 457(b)	457(f)
Intended for	State and local governments and agencies of those governments	Non-governmental non-profit entities	State and local governments and agencies of those governments. All non-governmental non-profit entities
Important Deadlines	The plan may be established any time during the calendar year	The plan may be established any time during the calendar year	The plan may be established any time during the calendar year
Eligible Participants	Employees and Independent Contractors (can include all employees or just a selection of employees)	Employees and Independent Contractors (Only highly compensated employees or a select group of management employees are eligible)	Employees and Independent Contractors (Only highly compensated employees or a select group of management employees are eligible)
Who Contributes	Employee deferrals permitted; employer match or base contributions permitted	Employee deferrals permitted; employer match or base contributions permitted	Employee deferrals permitted; employer match or base contributions permitted
Contribution Limits	Total annual employee/employer vested contributions — limited to lesser of $18,000 in 2016 or 100% of includable compensation (no coordination with any other plan required)	Total annual employee/employer vested contributions — limited to lesser of $18,000 in 2016 or 100% of includable compensation (no coordination with any other plan required)	No contribution limit
Catch-up Contributions	**Higher of:** Age Based Catch-up — $6,000 in 2016 (no coordination with any other plan required) **OR** Special 457(b) catch-up permitted up to $18,000 in 2016 for 3 years prior to normal retirement age stated in plan document	**Higher of:** Age Based Catch-up — $6,000 in 2016 (no coordination with any other plan required) **OR** Special 457(b) catch-up permitted up to $18,000 in 2016 for 3 years prior to normal retirement age stated in plan document	No contribution limit
Vesting	• Employee salary deferrals — full and immediate • Employer contributions may vest over time according to plan terms	• Employee salary deferrals — full and immediate • Employer contributions may vest over time according to plan terms	Any vesting schedule

457 PLAN — STATE OR LOCAL GOVERNMENT, OR A TAX-EXEMPT ORGANIZATION UNDER IRC 501(C) CONTINUED

	Governmental 457(b)	Non-Profit 457(b)	457(f)
Loans and Withdrawals	Contributions may not be distributed before: age 70½, severance from employment, or unforeseeable emergency One-time cash-outs of amounts less than $5,000 permitted Distribution must be made by the later of: employee attains age 70½ or retires Loans not allowed	Contributions may not be distributed before: age 70½, severance from employment, or unforeseeable emergency One-time cash-outs of amounts less than $5,000 permitted Distribution must be made by the later of: employee attains age 70½ or retires Loans not allowed	Contributions may not be distributed before: age 70½, severance from employment, or unforeseeable emergency One-time cash-outs of amounts less than $5,000 permitted Loans not allowed
Rollovers	Rollovers permitted between: another qualified plan, 401(k), 401(a), 403(b), and governmental 457(b) plans and IRAs	Transfers between non-profit 457(b) plans permitted No other transfers or rollovers are permitted	No transfers or rollovers are permitted
Reporting Requirements and Administration	No ERISA reporting Able to discriminate among employees	No ERISA reporting Able to discriminate among employees	No ERISA reporting Should discriminate to avoid ERISA requirements

DEFINED BENEFIT

All of the aforementioned plans are considered Defined Contribution plans because the regulations define exactly how much money can be contributed. Defined Benefit (DB) plans take a different approach by first defining what the benefit, in the form of a specific future income or future lump-sum payment, will be for its employees. The amount contributed to the plan is based on a formula that will achieve the ability to pay the future benefit. The benefit formula generally incorporates an employee's age, salary and years of service.

In recent years the corporate liability of DB plans has led to many being frozen, or no longer offered to new employees. However some firms are taking a new look at Defined Benefit plans for their cost efficiency. And in some cases they can be great for high revenue companies, and smaller employers that can afford to make higher contributions.

Defined Benefit	
Intended for	Businesses of all sizes with steady, predictable income and the desire to provide employees with a specified benefit at retirement Businesses seeking to make larger contributions or to accumulate substantial retirement benefits for older employees in a shorter time frame
Important Deadlines	Must be set up by the last day of the plan year Employer contributions must be made by the earlier of 8½ months after the end of the plan year or the filing of the employer's business' tax return, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) • Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees
Who Contributes	Employer contributions only Contributions are subject to minimum funding requirements

Contribution Limits	Maximum annual benefit payable at retirement is the lesser of 100% of participant's average compensation during highest three-year period or $215,000
Vesting	Vesting schedule permissible
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Loans available
Reporting Requirements and Administration	Plans are subject to Form 5500 filings and other ERISA requirements Actuarial certification required Pension Benefit Guaranty Corporation coverage may be required Subject to top-heavy testing and nondiscrimination rules

CASH BALANCE PLAN

A Cash Balance plan is a Defined Benefit plan that defines the benefit in terms that are more characteristic of a Defined Contribution plan. In other words, a Cash Balance plan defines the promised benefit in terms of a stated account balance. These plans are often paired with a 401(k) plan.

Cash Balance Plan	
Intended for	Businesses of all sizes with steady, predictable income and the desire to provide select groups of employees with a specified benefit at retirement Businesses seeking to make larger contributions or to accumulate substantial retirement benefits for older employees in a shorter time frame These plans are often paired with a 401(k) plan
Important Deadlines	Must be set up by the last day of the plan year Employer contributions must be made by the earlier of 8½ months after the end of the plan year or the filing of the employer's business' tax return, including extensions
Eligible Participants	**Must include employees who:** • Are at least 21 years old • Have completed two years of service (at least 1,000 hours each year) • Employer may set less restrictive eligibility standards **May exclude:** • Union employees • Nonresident aliens • Nondiscriminatory classes of employees
Who Contributes	Employer contributions only Contributions are subject to minimum funding requirements

Contribution Limits	Maximum annual benefit payable at retirement is the lesser of 100% of participant's average compensation during highest three-year period or $215,000
Vesting	Cash balance plans require 100% vesting after 3 years
Loans and Withdrawals	Withdrawals taxed as ordinary income and are subject to a 10% penalty tax unless taken: • After the attainment of age 59½ • Death • Disability • Separation from service after age 55 Minimum distributions required at age 70½ or retirement, whichever is later (or at age 70½ if plan so limits) Loans may be, but are not typically available
Reporting Requirements and Administration	Plans are subject to Form 5500 filings and other ERISA requirements Actuarial certification required Pension Benefit Guaranty Corporation coverage may be required Subject to top-heavy testing and nondiscrimination rules

For more information, please call 1-877-334-6899.

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