

Sample Company, Inc. 401(k) Plan

Plan Comparison - 2017

Goal: To maximize the allocation efficiency to selected employees and minimize the employer contribution costs overall.

A MEASURABLE DIFFERENCE™

The 401(k) plan which provides for a 3% safe harbor contribution plus an additional profit sharing contribution maximizing the owner(s), represented by Design 4, provides for the most favorable utilization of the employer contribution. The benefits of this plan design are:

- The plan provides the owner(s) **\$0.88** of every \$1 in employer contributions to the Plan
- Provides an economic benefit of **\$57,029** per year (see page 4)
- The Plan has an all-in yearly cash-flow of \$237,523 with the employer contributing \$132,952
- The safe harbor contribution allows the owner(s) to defer up to the dollar limit each plan year, without regard to the level of deferrals contributed by the non-owners
- The only required contribution each year is the 3% safe harbor

Plan Designs Presented

Design 1 - SIMPLE with a matching contribution of 100% of the first 3% of compensation deferred. The owner(s) are maximizing their SIMPLE deferrals. The total employer contribution allocated is \$37,861.

Design 2 - 401(k) plan with a safe harbor matching contribution of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. The owner(s) are maximizing their 401(k) deferrals. The total employer contribution allocated is \$49,013.

Design 3 - 401(k) plan with a 3% safe harbor non-elective contribution plus an optimum new comparability profit sharing contribution allocating 6% to owner(s). No additional profit sharing is allocated to staff. The owner(s) are maximizing their 401(k) deferrals. The total employer contribution allocated is \$87,871.

Design 4 - 401(k) plan with a 3% safe harbor nonelective contribution plus a maximizing new comparability profit sharing contribution allocating 10.33% to owner(s) and 2% to staff. The owner(s) are maximizing their 401(k) deferrals. The total employer contribution allocated is \$132,952.

Assumptions, Definitions & Requirements

Plan Year: For illustration purposes, the plan year is assumed to be the 2017 calendar year.

Compensation: The compensation considered for all employees is taken from the census data provided. For the 401(k) we assumed the owner(s) will maximize and we estimated amounts for others. We treated the plan as being taxed as a corporation for purposes of the design.

Eligibility Requirements: For illustration purposes, employees who have reached age 21 and have one year of service will enter the plan on a semi-annual basis.

Safe Harbor Contribution: An employer contribution which is made as an alternative method of satisfying the 401(k) non-discrimination requirements. A safe harbor 401(k) plan which does not provide for any other employer contributions is excluded from the definition of a **top heavy** plan. The primary disadvantages of the safe harbor contributions are that **the safe harbor contributions may not be subject to any condition of employment or minimum hours of service to share in the allocation and they must be fully vested immediately.** The Safe Harbor Contribution formulas are explained below:

- **Safe Harbor Non-Elective:** 3% contribution given to all eligible participants. Unlike the matching formula, the non-elective safe harbor contribution is considered in the testing of the allocation when the new comparability/super new comparability methodology is utilized.
- **Safe Harbor Matching Contributions:** Basic match of 100% on the first 3% deferred and 50% on the next 2% deferred.
- **PPA Safe Harbor Matching/Qualified Automatic Contribution Arrangement (QACA):** This safe harbor when combined with an automatic enrollment feature must provide a minimum match of 100% of the first 1% and 50% of the next 5%. The automatic enrollment feature requires a minimum deferral rate of 3% in the first year and a step up feature of at least 1% for the next 3 years. **The automatic enrollment match can be allowed to vest over two years.**

A safe harbor contribution cannot be changed or added to a plan with an existing 401(k) feature until the following year. However, for a new plan it can be added mid-year as long as there are at least 3 months in your first plan year and any sponsored SIMPLE IRA plan has been frozen or terminated prior to the start of that initial calendar year.

New Comparability: This method tests the allocation of the employer contribution on a benefits basis. The allocations are based on employee classes or allocation groups. However, the utilization of this methodology requires the satisfaction of additional tests. The allocation must satisfy a *minimum allocation gateway* and the assumed benefit accruals may not discriminate in favor of the Highly Compensated Employees (HCE). This non-discrimination requirement may result in an allocation in excess of the *minimum allocation gateway* for the non-highly compensated employees.

Plan 1 Plan 2 Plan 3 Plan 4



Fiduciary

Date

2017		2017		
Key Deadlines		IRS Benefits & Compensation Limits		
	By tax return due date		2017	2016
Employer Contribution Deposit	January 31	401k/403b/457 Plan Deferrals	\$18,000	\$18,000
Census Submission	January 31	Annual Defined Contribution Limit	54,000	53,000
ADP/ACP Refund	March 15	Annual Defined Benefit Limit	215,000	210,000
Calendar Year Form 5500 Filing	July 31	Annual Plan Compensation Limit	270,000	265,000
Create Safe Harbor 401k Plan	October 1	Catch-Up Contribution Limit	6,000	6,000
Form 5500 Extended Deadline	October 15	Highly Compensated Employees	120,000	120,000
Safe Harbor Notice	December 1	SIMPLE Employee Deferrals	12,500	12,500
Last Day to Adopt Plan with		SIMPLE Catch-Up Deferrals	3,000	3,000
Current Year Deductions	December 31	Social Security Wage Base	127,200	118,500



**Sample Company, Inc. 401(k) Plan
Proposal Summary
2017**

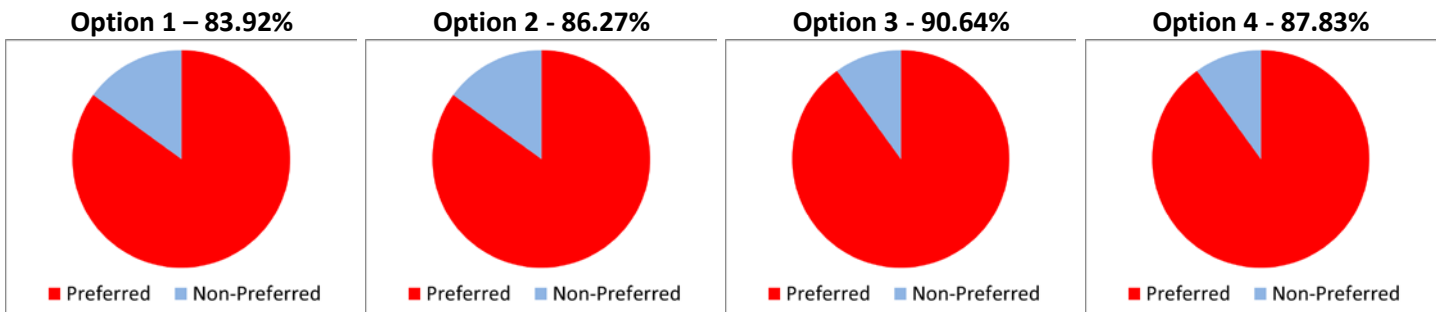
Descriptions of Options:

- Option 1: SIMPLE IRA Matching
- Option 2: 401(k)/Safe Harbor Match
- Option 3: 401(k)/3% Safe Harbor/Optimum Profit Sharing
- Option 4: 401(k)/3% Safe Harbor/Maximum Profit Sharing

Allocation Summary:

Participant Name	Pay	Option 1	Option 2	Option 3	Option 4
Preferred - Total Allocations:					
Owner, Edward	\$270,000.00	\$23,600.00	\$34,800.00	\$48,300.00	\$60,000.00
Owner, Julie	\$270,000.00	\$23,600.00	\$34,800.00	\$48,300.00	\$60,000.00
Owner, Paul	\$270,000.00	\$23,600.00	\$34,800.00	\$48,300.00	\$60,000.00
1. Total:	\$810,000.00	\$70,800.00	\$104,400.00	\$144,900.00	\$180,000.00
2. Total Non-Preferred:	\$499,044.76	\$40,632.48	\$49,183.88	\$47,542.34	\$57,523.25
3. Employer Non-Preferred:	\$499,044.76	\$13,561.48	\$16,612.88	\$14,971.34	\$24,952.25
% to Preferred Total (Line 1/Line 1 + Line 2)		63.54%	67.98%	75.30%	75.78%
% to Preferred Employer (Line 1/Line 1 + Line 3)		83.92%	86.27%	90.64%	87.83%

Preferred Share of Allocations:



Sample Company, Inc. 401(k) Plan
Analysis of Net Economic Benefit
2017

	Option 1	Option 2	Option 3	Option 4
1. Employer's Combined Marginal Tax Rate:	40.00%	40.00%	40.00%	40.00%
2. Total Deductible Employer Contribution*:	\$84,361.48	\$121,012.88	\$159,871.34	\$204,952.25
3. Tax Benefit (1x2) :	\$33,744.59	\$48,405.15	\$63,948.54	\$81,980.90
4. After Tax Cost of Contribution (2-3) :	\$50,616.89	\$72,607.73	\$95,922.80	\$122,971.35
5. Total Allocations to Preferred:	\$70,800.00	\$104,400.00	\$144,900.00	\$180,000.00
6. Net Economic Benefit <Cost> (5-4) :	\$20,183.11	\$31,792.27	\$48,977.20	\$57,028.65

- Option 1: SIMPLE IRA Matching
- Option 2: 401(k)/Safe Harbor Match
- Option 3: 401(k)/3% Safe Harbor/Optimum Profit Sharing
- Option 4: 401(k)/3% Safe Harbor/Maximum Profit Sharing

* Includes employer contributions for all employees and salary deferrals for Preferred employees only.

Sample Company, Inc. 401(k) Plan
Option 1: SIMPLE IRA Matching
2017

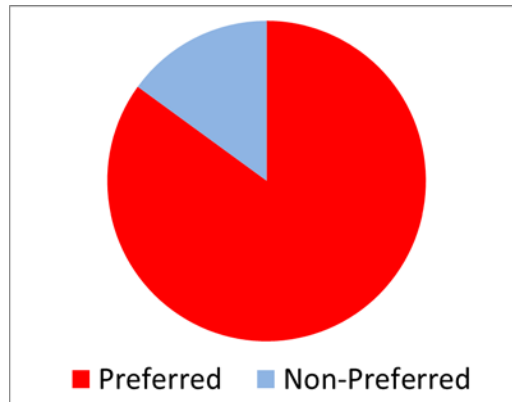
Proposal Features:

Elective Deferrals:	Yes
Safe Harbor Contributions:	No
Matching Contributions:	Yes
Matching Allocation Formula:	100.00% up to 3.00%
Profit Sharing Contributions:	No

Detail Allocations:

Participant Name	Pay	Elective Deferral	Matching	%	Total *
Preferred					
Owner, Edward	\$270,000.00	\$15,500.00	\$8,100.00	3.00%	\$23,600.00
Owner, Julie	\$270,000.00	\$15,500.00	\$8,100.00	3.00%	\$23,600.00
Owner, Paul	\$270,000.00	\$15,500.00	\$8,100.00	3.00%	\$23,600.00
Preferred - Total	\$810,000.00	\$46,500.00	\$24,300.00		\$70,800.00
Non-Preferred					
Accounting, Anne	\$44,701.35	\$2,682.00	\$1,341.04	3.00%	\$4,023.04
Administrator, April	\$29,605.06	\$1,185.00	\$888.15	3.00%	\$2,073.15
Assistant, Amy	\$24,634.38	\$0.00	\$0.00	0.00%	\$0.00
Delivery, Susie	\$29,692.33	\$1,188.00	\$890.77	3.00%	\$2,078.77
Janitor, Jerri	\$24,021.07	\$721.00	\$720.63	3.00%	\$1,441.63
Manager, Michelle	\$65,323.26	\$5,226.00	\$1,959.70	3.00%	\$7,185.70
Salesman, Sammy	\$150,000.00	\$12,500.00	\$4,500.00	3.00%	\$17,000.00
Secretary, Sally	\$26,330.76	\$790.00	\$789.92	3.00%	\$1,579.92
Service, Faye	\$24,369.19	\$731.00	\$731.00	3.00%	\$1,462.00
Service, Sandy	\$27,228.67	\$817.00	\$816.86	3.00%	\$1,633.86
Supervisor, Sherri	\$30,780.39	\$1,231.00	\$923.41	3.00%	\$2,154.41
Telephone, Tammy	\$22,358.30	\$0.00	\$0.00	0.00%	\$0.00
Non-Preferred - Total	\$499,044.76	\$27,071.00	\$13,561.48		\$40,632.48

Net Allocations to Preferred - 83.92%



Sample Company, Inc. 401(k) Plan
Option 2: 401(k)/Safe Harbor Match
2017

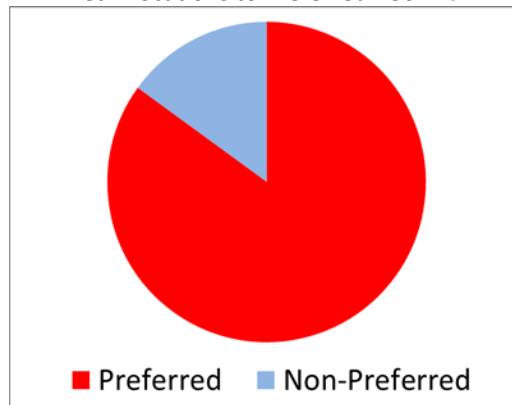
Proposal Features:

Elective Deferrals:	Yes
Safe Harbor Contributions:	Yes - SH Match
SH Allocation Formula:	100.00% up to 3.00% PLUS 50.00% up to 5.00%
Matching Contributions:	No
Profit Sharing Contributions:	No

Detail Allocations:

Participant Name	Pay	Elective Deferral	Safe Harbor	%	Total *
Preferred					
Owner, Edward	\$270,000.00	\$24,000.00	\$10,800.00	4.00%	\$34,800.00
Owner, Julie	\$270,000.00	\$24,000.00	\$10,800.00	4.00%	\$34,800.00
Owner, Paul	\$270,000.00	\$24,000.00	\$10,800.00	4.00%	\$34,800.00
Preferred - Total	\$810,000.00	\$72,000.00	\$32,400.00		\$104,400.00
Non-Preferred					
Accounting, Anne	\$44,701.35	\$2,682.00	\$1,788.06	4.00%	\$4,470.06
Administrator, April	\$29,605.06	\$1,185.00	\$1,036.58	3.50%	\$2,221.58
Assistant, Amy	\$24,634.38	\$0.00	\$0.00	0.00%	\$0.00
Delivery, Susie	\$29,692.33	\$1,188.00	\$1,039.39	3.50%	\$2,227.39
Janitor, Jerri	\$24,021.07	\$721.00	\$720.82	3.00%	\$1,441.82
Manager, Michelle	\$65,323.26	\$5,226.00	\$2,612.93	4.00%	\$7,838.93
Salesman, Sammy	\$150,000.00	\$18,000.00	\$6,000.00	4.00%	\$24,000.00
Secretary, Sally	\$26,330.76	\$790.00	\$789.96	3.00%	\$1,579.96
Service, Faye	\$24,369.19	\$731.00	\$731.00	3.00%	\$1,462.00
Service, Sandy	\$27,228.67	\$817.00	\$816.93	3.00%	\$1,633.93
Supervisor, Sherri	\$30,780.39	\$1,231.00	\$1,077.21	3.50%	\$2,308.21
Telephone, Tammy	\$22,358.30	\$0.00	\$0.00	0.00%	\$0.00
Non-Preferred - Total	\$499,044.76	\$32,571.00	\$16,612.88		\$49,183.88

Net Allocations to Preferred - 86.27%



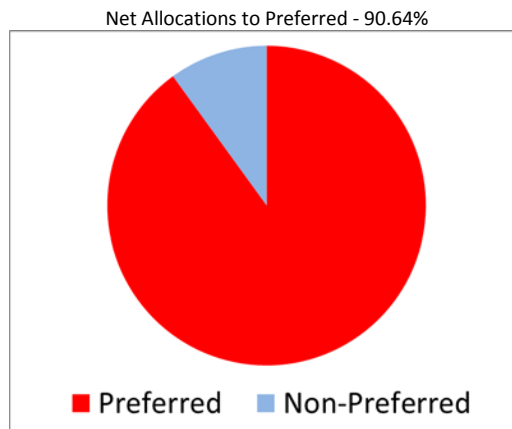
Sample Company, Inc. 401(k) Plan
Option 3: 401(k)/3% Safe Harbor/Optimum Profit Sharing
2017

Proposal Features:

Elective Deferrals:	Yes
Safe Harbor Contributions:	Yes - SH Nonelective
SH Allocation Percent:	3.00%
Matching Contributions:	No
Profit Sharing Contributions:	Yes
Profit Sharing Formula:	New Comparability
Grp 1/Percent:	6.0000%
Grp 2/Percent:	6.0000%
Grp 3/Percent:	6.0000%

Detail Allocations:

Participant Name	Pay	Grp	Elective Deferral	Safe Harbor	% Profit Sharing	%	Total *
Preferred							
Owner, Edward	\$270,000.00	1	\$24,000.00	\$8,100.00	3.00%	\$16,200.00	\$48,300.00
Owner, Julie	\$270,000.00	2	\$24,000.00	\$8,100.00	3.00%	\$16,200.00	\$48,300.00
Owner, Paul	\$270,000.00	3	\$24,000.00	\$8,100.00	3.00%	\$16,200.00	\$48,300.00
Preferred - Total	\$810,000.00		\$72,000.00	\$24,300.00		\$48,600.00	\$144,900.00
Non-Preferred							
Accounting, Anne	\$44,701.35	9	\$2,682.00	\$1,341.04	3.00%	\$0.00	\$4,023.04
Administrator, April	\$29,605.06	9	\$1,185.00	\$888.15	3.00%	\$0.00	\$2,073.15
Assistant, Amy	\$24,634.38	9	\$0.00	\$739.03	3.00%	\$0.00	\$739.03
Delivery, Susie	\$29,692.33	9	\$1,188.00	\$890.77	3.00%	\$0.00	\$2,078.77
Janitor, Jerri	\$24,021.07	9	\$721.00	\$720.63	3.00%	\$0.00	\$1,441.63
Manager, Michelle	\$65,323.26	9	\$5,226.00	\$1,959.70	3.00%	\$0.00	\$7,185.70
Salesman, Sammy	\$150,000.00	4	\$18,000.00	\$4,500.00	3.00%	\$0.00	\$22,500.00
Secretary, Sally	\$26,330.76	9	\$790.00	\$789.92	3.00%	\$0.00	\$1,579.92
Service, Faye	\$24,369.19	9	\$731.00	\$731.08	3.00%	\$0.00	\$1,462.08
Service, Sandy	\$27,228.67	9	\$817.00	\$816.86	3.00%	\$0.00	\$1,633.86
Supervisor, Sherri	\$30,780.39	9	\$1,231.00	\$923.41	3.00%	\$0.00	\$2,154.41
Telephone, Tammy	\$22,358.30	9	\$0.00	\$670.75	3.00%	\$0.00	\$670.75
Non-Preferred - Total	\$499,044.76		\$32,571.00	\$14,971.34		\$0.00	\$47,542.34



Sample Company, Inc. 401(k) Plan
Option 4: 401(k)/3% Safe Harbor/Maximum Profit Sharing
2017

Proposal Features:

Elective Deferrals:	Yes
Safe Harbor Contributions:	Yes - SH Nonelective
SH Allocation Percent:	3.00%
Matching Contributions:	No
Profit Sharing Contributions:	Yes
Profit Sharing Formula:	New Comparability
Grp 1/Percent:	10.5000%
Grp 2/Percent:	10.5000%
Grp 3/Percent:	10.5000%
Grp 4/Percent:	2.0000%
Grp 9/Percent:	2.0000%

Detail Allocations:

Participant Name	Pay	Grp	Elective Deferral	Safe Harbor	% Profit Sharing	%	Total *	
Preferred								
Owner, Edward	\$270,000.00	1	\$24,000.00	\$8,100.00	3.00%	\$27,900.00	10.33%	\$60,000.00
Owner, Julie	\$270,000.00	2	\$24,000.00	\$8,100.00	3.00%	\$27,900.00	10.33%	\$60,000.00
Owner, Paul	\$270,000.00	3	\$24,000.00	\$8,100.00	3.00%	\$27,900.00	10.33%	\$60,000.00
Preferred - Total	\$810,000.00		\$72,000.00	\$24,300.00		\$83,700.00		\$180,000.00
Non-Preferred								
Accounting, Anne	\$44,701.35	9	\$2,682.00	\$1,341.04	3.00%	\$894.03	2.00%	\$4,917.07
Administrator, April	\$29,605.06	9	\$1,185.00	\$888.15	3.00%	\$592.10	2.00%	\$2,665.25
Assistant, Amy	\$24,634.38	9	\$0.00	\$739.03	3.00%	\$492.69	2.00%	\$1,231.72
Delivery, Susie	\$29,692.33	9	\$1,188.00	\$890.77	3.00%	\$593.85	2.00%	\$2,672.62
Janitor, Jerri	\$24,021.07	9	\$721.00	\$720.63	3.00%	\$480.42	2.00%	\$1,922.05
Manager, Michelle	\$65,323.26	9	\$5,226.00	\$1,959.70	3.00%	\$1,306.47	2.00%	\$8,492.17
Salesman, Sammy	\$150,000.00	4	\$18,000.00	\$4,500.00	3.00%	\$3,000.00	2.00%	\$25,500.00
Secretary, Sally	\$26,330.76	9	\$790.00	\$789.92	3.00%	\$526.62	2.00%	\$2,106.54
Service, Faye	\$24,369.19	9	\$731.00	\$731.08	3.00%	\$487.38	2.00%	\$1,949.46
Service, Sandy	\$27,228.67	9	\$817.00	\$816.86	3.00%	\$544.57	2.00%	\$2,178.43
Supervisor, Sherri	\$30,780.39	9	\$1,231.00	\$923.41	3.00%	\$615.61	2.00%	\$2,770.02
Telephone, Tammy	\$22,358.30	9	\$0.00	\$670.75	3.00%	\$447.17	2.00%	\$1,117.92
Non-Preferred - Total	\$499,044.76		\$32,571.00	\$14,971.34		\$9,980.91		\$57,523.25

Net Allocations to Preferred - 87.83%

