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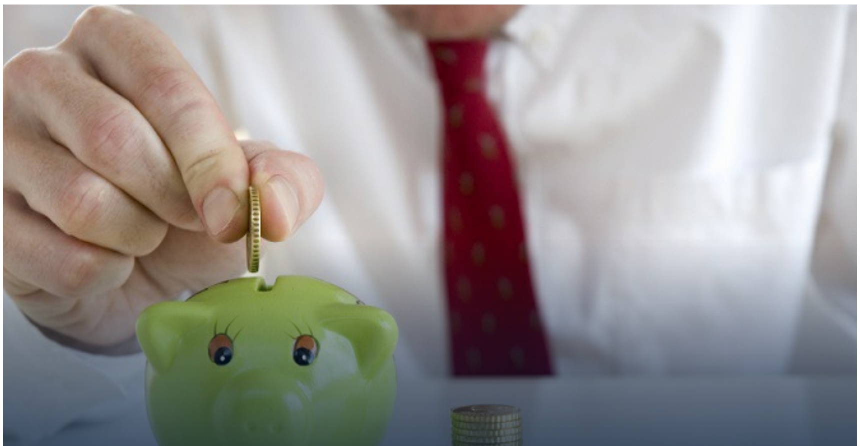

# Happy with your 401(k)? There is still time to make changes

DALE VLASEK | TAX AND BENEFITS CHALLENGES | NOV 25, 2015

As we approach the last few weeks of 2015, businesses are reviewing their financials to see how they have done for the year. Some, hopefully many, are in the position of determining that they have had a good year. That is a good news/bad news situation. More income, while good, means potentially more income taxes.

Websites and accounting firm blogs are full of suggestions on how to create deductions and lower taxes.

One option to seriously consider is adopting a retirement plan program – or, if you have one, consider revising the program – to maximize benefits to your targeted employees or owners. Many owners and executives who participate in 401(k) plans think they have maximized their retirement savings opportunities if they contribute $18,000 through 401(k) salary deferrals. That is not totally true.

The maximum amount that can be contributed for a targeted individual for 2015 is $53,000. This includes employee deferrals and employer contributions. If the individual is age 50 or older there is an additional catchup contribution of up to $6,000 available. If all that the individual is contributing is $18,000 – money is being left on the table and 25 to 30 percent of it will go to pay current taxes.

To contribute $53,000 to a targeted individual, there will need to be contributions to other employees. But careful analysis and design can make that additional contribution a manageable and acceptable number. What that number will be depends on the employer’s census and the plan design.

If the $53,000 is not sufficient, the use of cash balance pension plans covering the targets could add another $150,000 – $200,000 per year to that number. The amount will depend on the age of the target. A target age 50 or older earning $200,000 or more can reasonably expect that level of additional benefit. Once again, benefits will need to be provided to other employees. The cost of those benefits will depend on the census and the plan design.

There are tax savings opportunities available and there is time to take advantage of them. Unfortunately, there is not a lot of time. Numbers need to be crunched, designs need to be analyzed and decisions need to be made. A knowledgeable attorney and a sophisticated actuary can assist in that process.

## DALE VLASEK

I create innovative yet practicable ERISA plan designs to achieve employer objectives and develop workable resolutions to benefit plan problems.

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