Part of the Washington SBDC Podcast Series

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Choosing a Company Retirement Plan:

Retirement plans offer tax advantages, an easy way to save for retirement, and attract new and qualified staff.

Your choice of plan should match your needs: develop a **checklist** of your objectives and needs.

- ☐ What *type* of benefit do you want to have available at retirement?
  - Do you want the company to guarantee a set monthly income?
  - *or* should the amount be based on the value of each individual employee account?
- ☐ Who will be allowed to make contributions to the plan? Employer only, employee only or should you share?
- ☐ How much do you anticipate will be available each year and will it vary from year to year?
- ☐ How many employees will be willing to participate in the plan?
- ☐ How much time or expense are you willing to devote to plan administration?
  - Some plans require more than others and can add to the cost of the overall plan.

General Types of Retirement Plans

1) **Defined benefit plans** (pension): guarantees a fixed income at retirement. Generally only employers contribute to this plan. This is higher risk for the employer and requires the most administration work and so this option is being offered by fewer companies.

2) **Defined contribution plans** (SEP's or Simplified Employee Pensions, Simples, Keogh's, and 401K plans): the income received at retirement is based on the amount contributed and how well the investment performs. Contributions in these plans can be made by any party. The investment risk is on the employee in any defined contribution plan.

SEP's are the easiest type to establish and maintain. Employer contributions can vary between a fixed annual percentage, to matching the employees contributions, to being only required to make contributions in profitable years.

Summary: Seek the aid of a financial professional to help ensure that the impact on your business is a positive one.

Visit your local SBDC for no-cost, confidential advising services: www.wsbdc.org

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