The Waddell & Reed Exclusive(k)® plan

WADDELL & REED Financial Advisors™

Utilizing the Waddell & Reed Exclusive(k) plan

The Waddell & Reed Exclusive(k) plan is a 401(k) profit-sharing plan established by a self-employed individual or small business owner with no common law employees. An Exclusive(k) plan allows the owner(s) to make the maximum contribution available under a defined contribution plan.

Sole proprietorships, partnerships, LLCs, S corporations and C corporations that employ only the owner(s) (and spouses) and have no common law employees that work over 1,000 hours in the 12-month fiscal year are eligible to sponsor an Exclusive(k). Excludable employees include certain union or non-resident-alien employees.

WHO IS ELIGIBLE TO PARTICIPATE?

- Incorporated business owners with no employees (except spouse)
- Independent contractors filing a Schedule C (Form 1040)
- Self-employed farmers filing a Schedule F (Form 1040)
- Partners in a general partnership filing Form 1065-U.S. Return of Partnership Income

PLAN SPECIFICATIONS

- No annual testing or reporting requirements unless:
  - Plan assets exceed $250,000 (requires IRS Form 5500 annual filing)
  - Loans are taken from plan assets (requires outside third-party administration)
  - Common-law employees who are non-owners meet the eligibility criteria for the plan
- Salary deferral Roth (after-tax) contributions are available, allowing the potential for tax-free distributions of accrued assets from your Roth(k) account.
  - Contributions can be made to both a Roth(k) and pretax Exclusive(k) account in the same year (combined amount contributed for the year may not exceed limits described below)
  - Note: Any company contributions made to the Exclusive(k) are pretax and deposited to the traditional Exclusive(k) account
- Employers offering the Roth elective deferral option for their Exclusive(k)® plan must procure services to perform the tax reporting of distributions required by current regulations from an outside provider, such as a third party administrator or CPA.

SALARY DEFERRAL	EMPLOYER
Deferral limits are currently the lesser of $19,000 or 100% of compensation. A catch-up provision of $6,000 is available for individuals age 50 or older.	The maximum contribution is 20% of adjusted net business income or 25% of W-2 compensation, not to exceed $56,000 when combined with salary deferral feature.
Deferrals are subject to FICA and FUTA taxes but not current income tax.	Contributions are tax deductible to the business, up to 25% of covered payroll. The maximum contribution increases to $62,000 for individuals age 50 or older.

Your financial advisor can assist with determining your maximum contribution.

EXPENSES

- Earnings accumulate tax deferred in the participant account
- No installation fee to establish the plan
- Custodial or brokerage account fee charged to participant (to be paid by check or redeemed directly from shares in the account)

WITHDRAWALS[1]

- 10% early withdrawal penalty applies if withdrawals are made before age 59½, exceptions may apply
- Required minimum distribution rules apply[2]
- Tax deductible contributions and earnings from those contributions are taxed as ordinary income in the year of receipt[2]

[1] Employers electing the Roth Elective Deferral Option for their Exclusive(k)® plan must procure services to perform the tax reporting of distributions required by current regulations from an outside provider, such as a third party administrator or CPA.

[2] Does not apply to contributions nor earnings from Roth deferrals in the Exclusive(k).

SOLE PROPRIETOR PLAN COMPARISON*

Sole Proprietor Net Profits (2018)	SIMPLE IRA Maximum (estimate)	SEP Plan Maximum (estimate)	Keogh MP/PSP Plan (estimate)	Exclusive(k)® Maximum (estimate)
$20,000	$13,541	$3,717	$3,717	$18,587
$30,000	$13,812	$5,576	$5,576	$24,576
$60,000	$14,624	$11,152	$11,152	$30,152
$175,000	$17,789	$32,883	$32,883	$51,883

Estimated 2019 self-employment tax rate used for the calculation was for participants under 50 years old.

*On a net profit of $20,000, note the major contribution difference of over $14,000 between a Keogh (MP/PSP) and an Exclusive(k)®. At this level, a sole proprietor can shelter approximately 94% of their net profits.

C OR S CORPORATION PLAN COMPARISON*

W-2 Wages Paid to Owner From C or S Corp. (2018)	SIMPLE IRA Maximum (estimate)	SEP Plan Maximum (estimate)	MP/PSP Plan Maximum (estimate)	Exclusive(k)® Maximum (estimate)
$20,000	$13,600	$5,000	$5,000	$20,000 **
$30,000	$13,900	$7,500	$7,500	$26,500
$60,000	$14,800	$15,000	$15,000	$34,000
$175,000	$18,250	$43,750	$43,750	$56,000

* Sample contribution illustrations do not include the age 50 catch-up contribution calculation. See your financial advisor regarding this option.

** This number will vary depending on the amount of taxes withheld from paycheck.