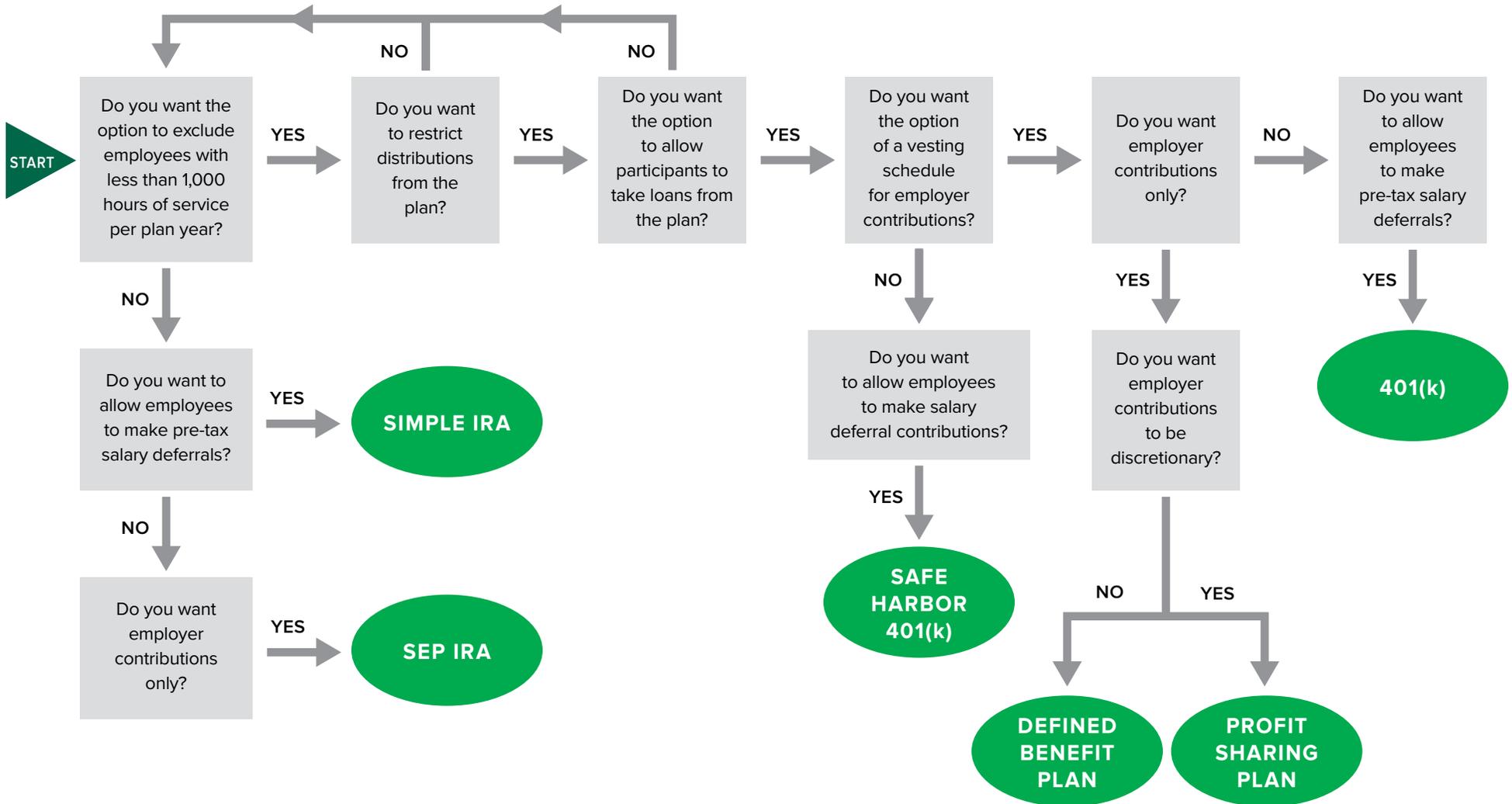


Selecting a retirement plan for you and your employees



C CORPORATION | S CORPORATION | PARTNERSHIP | LIMITED LIABILITY COMPANY | SOLE PROPRIETOR WITH EMPLOYEES | TAX-EXEMPT ORGANIZATION



The retirement plan you select can offer substantial benefits to you and your employees. Whether you are choosing a retirement plan for the first time or considering changing your current plan to one that better suits your needs, your financial advisor can assist in selecting a plan that meets your goals and budget.

Basic plan descriptions for plan year 2019

OPTIONS FOR COMPANY-FUNDED-ONLY PLAN TYPES: SEP, PROFIT SHARING AND DEFINED BENEFIT PLAN

SEP	Profit Sharing	Defined Benefit Plan
<ul style="list-style-type: none"> • Discretionary contribution • 25% limit (20% for sole proprietors and partnerships) • Contribution allocation can be integrated with Social Security • No government reporting • No annual testing • Immediate distribution provisions • Maximum employee eligibility requirements: three years of employment and/or age 21 • New plans can be set up for prior fiscal year up to tax filing date plus IRS extension • Total maximum contribution: \$56,000 	<ul style="list-style-type: none"> • Discretionary annual contribution • 25% limit (20% for sole proprietors and partnerships) • Contribution allocation can be integrated with Social Security • Restrictive distribution provisions • Loan feature • Vesting schedules available • Third-party administration company needed for annual testing and government reporting • Maximum employee eligibility requirements: one year with 1,000 hours of service and/or age 21 (two years is available with 100% immediate vesting only) • Total maximum contribution: \$56,000 	<ul style="list-style-type: none"> • Mandatory annual contribution based on formula in plan document • Total annual contribution determined by amount necessary to fund benefits – no dollar limitation • Contribution allocation can be integrated with Social Security • Restrictive distribution provisions • Earnings on investments reduce contribution deposit amount • Vesting schedules available • Third-party administration company needed for annual testing, government reporting and individually-designed plan document • Maximum employee eligibility requirements: one year with 1,000 hours of service and/or age 21 • Individual dollar limitation: \$225,000

OPTIONS FOR SALARY DEFERRAL WITH COMPANY CONTRIBUTIONS: SIMPLE IRA, SAFE HARBOR 401(k), OR TRADITIONAL 401(k)

SIMPLE IRA	Safe Harbor 401(k)*	Traditional 401(k)**
<ul style="list-style-type: none"> • Maximum employee deferral is the lesser of 100% of income or \$13,000 • Catch-up provision of \$3,000 for participants age 50 or older • Mandatory company contribution of 3% match or 2% to all eligible employees (non elective) • Maximum employer match is the lesser of 3% of income or \$13,000 • Match may be dropped to 1% or 2% twice in a five-year period • Immediate distribution provisions • Maximum employee eligibility requirements: two years employment with maximum \$5,000 in earnings • New plans must be established by Oct. 1 • Plan runs on a calendar year regardless of company's fiscal year • Total maximum contribution: \$26,000 • Total maximum contribution with catch-up: \$32,000 	<ul style="list-style-type: none"> • Maximum employee deferral is the lesser of 100% of income or \$19,000 • Catch-up provision of \$6,000 for participants age 50 or older • Mandatory company contribution: (1) Match – 100% on first 3% of compensation plus 50% on next 2% (total of 4%) or (2) Non-elective – 3% of compensation • Restrictive distribution provisions • Loan feature and hardship withdrawals (employee deferrals only) • Third-party administration company needed for annual testing and government reporting • 100% vesting on all safe harbor contributions; other employer contributions may be subject to a vesting schedule • ADP/ACP does not apply • Top-heavy satisfied with mandatory company match listed above • Maximum employee eligibility requirements: one year with 1,000 hours of service and/or age 21 • Total maximum contribution: \$56,000 • Total maximum contribution with catch-up: \$62,000 	<ul style="list-style-type: none"> • Maximum employee deferral is the lesser of 100% of income or \$19,000 • Catch-up provision of \$6,000 for participants age 50 or older • Discretionary annual company contribution • Restrictive distribution provisions • Loan feature and hardship withdrawals • Company contribution can be integrated with Social Security • Third-party administration company needed for annual testing and government reporting • 25% company limit on discretionary and matching contributions combined • Discretionary company match feature • Maximum employee eligibility requirements: one year with 1,000 hours of service and/or age 21 • Vesting schedules available • Total maximum contribution: \$56,000 • Total maximum contribution with catch-up: \$62,000

*State and governmental agencies cannot sponsor safe harbor 401(k) plans

**State and governmental agencies cannot sponsor a traditional 401(k)

This plan selection guide should be used as a preliminary tool to assist in determining which retirement plan(s) may be appropriate for your business or organization. This guide may direct you to a particular plan, however the totality of the needs and desires of the business or organization may dictate that a different plan is more appropriate. Before establishing a retirement plan for your business or organization, consult your tax advisor or attorney for specific advice regarding your particular situation. Financial advisors affiliated with Waddell & Reed do not offer tax advice. Waddell & Reed believes the information presented here to be accurate at the time of publication. Tax law changes may make this information inaccurate.