



Lake County Contractors Association Professional Practice Report

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401(k) / PROFIT SHARING PLANS

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In most cases, a 401k / Profit Sharing plan is your best option to put away the maximum amount of money on a pre-tax basis for retirement. If the company has a profitable year in 2004, an owner can personally defer up to \$41,000 into their retirement plan. One of the biggest challenges my clients face, with regard to their retirement plan, is getting employee participation up to a level that allows the owners to defer the maximum.

Here are some small changes you can make to your retirement plan to help maximize the benefits for both highly compensated and non-highly compensated employees alike.

- 1) Consolidate different types of retirement plans with one provider (and on a single administrative platform) to save time and money.
- 2) Have an annual educational meeting to show employees who do not contribute up to the maximum company match exactly how much money they are losing out on.
- 3) To increase elective deferrals into your plan, require a minimum contribution level before offering the company match. For example, provide no match on employee deferrals up to 4%, but provide 100% match on employee deferrals between four to eight percent of pay.
- 4) Challenge employees to increase deferrals by just one percent. The impact on their paychecks is almost unnoticeable, yet the increase in deferral could mean tens of thousands of dollars more at retirement.

- 5) Offer employees access to a financial representative.

These are just a few ideas for you to consider. If you have any questions, or would like a review of your company retirement plan, feel free to give us a call.

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