

What is a 401(k) plan?

A 401(k) plan is a voluntary, pre-tax savings retirement program. Under current plan provisions, eligible employees can elect to have a specific deferral amount of their pay deposited into the 401(k) plan, up to a current maximum of \$18,000 and an over 50 age of \$6,000 additional (\$24,000) per year. The income earned on the 401(k) account is not taxed until you withdraw it.

What is a 401(k) Roth option?

If you plan allows 401(k) Roth contributions, you can defer after tax monies to invest and grow tax-free. After reaching 59 ½, all the money that is withdrawn is tax free.

How is my 401(k) money invested until I take it out?

The Employees Only 401(k) plan offers you a wide range of investments you have the choice of many different mutual funds specializing in growth, aggressive growth, fixed income, money market and international stocks and bonds.

Can I take money from my 401(k) before I retire?

Yes, there are restrictions since 401(k) plans are designed to encourage long-term savings. Since the money you withdraw is subjected to income taxes and a possible 10% penalty if you are under 59 ½ years of age at the time of withdrawal, many individuals will take a loan or hardship withdrawal from their 401(k) accounts to help them purchase new homes, make home improvements, pay for un-reimbursed medical expenses, pay for tuition and to pay for funeral expenses. You can also take a withdrawal if you separate service from the employer, but taxes and penalties may apply. If you default on the loan, you may be responsible for taxes and penalties.

Who can my employees contact if they have specific questions on investments?

Employees Only has designated a licensed financial planner as an agent for our 401(k) plan.

Can I take a loan against my 401(k), and if so, how much?

You can take up to 50% of your vested balance with a minimum loan amount of \$1000. You can have up to 10 years to repay a loan if used for a down payment for a purchase of a new home or 5 years for all other reasons. The loan is repaid by a payroll deduction and all the interest earned is paid back to you and deposited into your 401(k) plan. There is a loan-processing fee of \$75.00. The loan will take approximately 5 – 10 business days, from the time the 401K Company receives the application to process. Once the application is approved, you will receive a check. You can contact Employees Only for an application and further information.

How do I, as an employer, know if my 401(k) plan is compliant or top heavy?

Employees Only submits all testing information to our Third Party Administrator on an annual basis. This is submitted in mid-January and all testing results are complete and forwarded to Employees Only within a month or two. The compliance testing is performed on each client individually. Once the results are determined, we will contact you to let you know if you passed or failed. The Top Heavy rules are as such: the Highly Compensated Employees which are determined by all owners and family members of owners or any employee that owns more than 5% of the company or in the top 20% of compensation and made over \$120,000, when their annual contributions exceed the annual contributions of all non-highly compensated employees, the plan is generally considered top heavy and could possibly fail the testing. There are other factors that are also tested to determine the final result. If your group does fail the compliance testing, any excess contributions that were made for that year could be returned to the designated employees.

Is there a way to guarantee Compliance?

Yes, you can adopt a Safe Harbor. A Safe Harbor allow employers to guarantee their compliance in the 401(k) plan by the following two ways: First option is you would be required to provide a match of 4% to all participating employees. It is broken out as 1% on the first 3% and ½% on the next 2%. The other option is a 3% contribution for all eligible employees even if they are not currently participating. All matching contributions for the employees in a Safe Harbor are immediately vested. Just providing the match will not guarantee your compliance. You must also adopt the Safe Harbor. There are only certain times when a safe harbor can be adopted to put into place. If you are interested, please contact Employees Only for more information.