

WHAT IS A 401(K) PLAN?

A **401(k) plan** is a qualified plan that includes a feature allowing an employee to elect to have the employer contribute a portion of the employee's wages to an individual account under the plan. The underlying plan can be a profit-sharing, stock bonus, pre-ERISA money purchase pension, or a rural cooperative plan.

- ✓ Deferred wages (elective deferrals) are not subject to federal income tax withholding at the time of deferral.
- ✓ Not reported as taxable income on the employee's individual income tax return.



ATTRACT & KEEP QUALIFIED EMPLOYEES

Offering a retirement plan is a smart way to help level the professional playing field between your small business and larger companies. A good retirement plan can help you to:



ATTRACT

talented people in today's challenging job market.



RETAIN

valuable employees who want retirement options in their benefits package.



ENJOY

tax advantages that may be available to you as an employer offering the plan.

TAX BENEFITS



For employers:

*Tax-deductible contributions,
Tax Credit*



For employees:

*Tax-deferred growth potential
and pre-tax contributions*

Most people understand that 401(k) plans are designed with big advantages over traditional IRAs when it comes to saving for retirement. Yet, few small business owners realize that 401(k) plans also offer tax advantages ranging from tax credits and deductions for their business to protecting more of their individual hard-earned money from taxes within their own account.

Starting Your First 401(k) Plan to Receive \$1,500 in Tax Credits

If you start a 401(k) and it's the first for your company, you can qualify for a \$500 tax credit for each of the first three years of your plan. That's \$1,500 over the first three years to offset setup and administration charges for the maintenance of your plan. Here's how it works. Your business must have at least one employee, besides you as the owner, who earns less than \$150,000 a year to qualify for a tax credit. The tax credit is equal to 50% of administration and setup charges for your 401(k) with a cap of \$500.

It's that simple. 

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GUIDE TO 401(K) SERVICES

*"Helping you save for a successful retirement,
one paycheck at a time."*

TAX BENEFITS

401(k) plans can be a *powerful tool* in promoting financial security in retirement. It is a valuable option for businesses who are considering to invest in a retirement plan which provides benefits to employees and their employers.

Many employers begin a 401(K) plan for the following reasons:

- ✔ Helps attract and keep talented employees.
- ✔ Allows participants to take full control of their investments.
- ✔ Employers are entitled to a tax deduction for employer contributions.
- ✔ Contributions may grow through investments in stocks, bonds, mutual funds, money market funds, and other investment options.
- ✔ Contributions and earnings are not taxed by the Government until they are distributed.
- ✔ Participants have the flexibility to take their 401(k) plan to their next employer.
- ✔ 401(k) plans benefit a mix of rank-and-file employees and owners/managers.
- ✔ Administrative work is minimal.
- ✔ 401(k) plans are web-based which eliminates paperwork and offers 24/7 access to the accounts.
- ✔ Helps secure your own retirement.
- ✔ Save on taxes.
- ✔ Contributes to a healthy economy.



4 STEPS TO ESTABLISHING A 401(K) PLAN



Adopt a written plan document



Arrange a trust fund for the plan's assets



Develop a recordkeeping system



Provide plan information to employees eligible to participate

After establishing a 401(k) plan with ASC Trust, we will take care of most aspects of operating the plan to include:

- ✔ Participation
- ✔ Contributions
- ✔ Vesting
- ✔ Nondiscrimination
- ✔ Investing 401(k) plan monies
- ✔ Fiduciary responsibilities
- ✔ Disclosing plan information to participants
- ✔ Reporting to government agencies
- ✔ Distribution plan benefits

FOR EMPLOYERS

Giving an employee a 401(k) match is tax-deductible for your business. It's another nice way businesses are provided breaks to offer a plan and help keep your costs low. While matching is optional, most small business owners with a fairly stable revenue stream choose to do so for three reasons:



A "safe harbor" ensures any employee including you, the owner, can give the maximum to the plan



By matching, you, the owner, benefit as well, since you are also an employee and you receive the match tax-deferred



Avoid the hassles of government discrimination testing

THE COMPANY MATCH IN YOUR 401(K) PLAN

Some employers match part or all of their employees' retirement account contributions.

Actually, your employer need not be a company at all – it could be a non-profit organization or a governmental entity that contributes to your account. So you can think about a company match as an employer match.

Aside from some parts of the federal government's Thrift Savings Plan, employers are not obligated to contribute to their employees' retirement accounts. There is no law or tax code that makes the company match mandatory, with the exception of SEP IRA and Simple IRA plans used by some small businesses.

Employers include a company match as part of a benefits package. Like any other benefit, part of the rationale behind the company match is to entice people to want to work for the employer. People are attracted to employers with good benefits packages. Also, employers receive a tax benefit for contributing to employee 401(k) accounts.

A company match has the power to greatly increase the value of an employer-sponsored retirement savings account. Company match would be limited only because the employee contribution is limited.

PLAN FEATURES

May be appropriate for	✔ Public and private companies with more than one employee
Fees	✔ Vary by plan
Key Advantages	<ul style="list-style-type: none"> ✔ Flexible plan design ✔ Online access to accounts through ASC's website ✔ Wide range of mutual fund options ✔ Clearly-communicated administrative fees and competitive average expense ratios
Available	<ul style="list-style-type: none"> ✔ Employer matching contributions ✔ Participant loans
IRS maximum	✔ Salary deferrals up to \$23,000 for 2024
Catch up contributions	✔ Additional salary deferrals up to \$3,500 for 2024 for those age 50 or older
Administrative responsibilities	<ul style="list-style-type: none"> ✔ Filing of IRS Form 5500 ✔ Special IRS testing to ensure plan does not favor highly-compensated employees ✔ Various employee notices regarding distributions and other events
Withdrawals	✔ Vary by plan
Investment options	✔ Broad range of investments from which to choose, core funds list available
Support and guidance	<ul style="list-style-type: none"> ✔ Access to our tools, resources, and experience to help simplify choosing, administering, and measuring your 401(k) plan ✔ Communication and education programs to help drive retirement readiness

WHAT IS VESTING?

Vesting refers to the practice of delaying an employee's ownership of the company match (or any other company contribution, like profit-sharing) for a specified number of years. So a company match contribution to a 401(k) plan will grow as part of the overall account value, but the employee could not rollover or take distributions on any portion of company match money that is not vested, or owned by that employee.

The vesting schedule normally begins when employment commences and does not restart with each employer contribution. As you can see, vesting creates a situation in which the employee cannot own all of the company contributions unless the employee stays at the company for the entire vesting period. There is a great range of vesting limits and schedules. Many companies do not have vesting, a situation that is also known as immediate vesting because employees own company matches as soon as the company makes the contribution.

