

Adding 401(k) Features and a Defined Benefit Plan



With the same set of employees, the benefit of the owners can be substantially increased with addition of both 401(k) features and Defined Benefit Plan. A Defined Benefit plan is extremely age sensitive and can have funding requirements that would result in very high "allocations" for older employees.

In this case, a 50% increase in employee costs – from 5.0% of compensation to 7.5% of compensation will support benefit increases to the older owners of \$280,000.

Through the use of two very specific plans, the employee costs have been reduced from \$103,750 to \$31,125 (30%) while the owner benefit has been raised from \$95,000 to \$380,000 (more than tripled).

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Age	Compensation	Traditional Flat Percentage allocation	Percent of Comp	Group Allocation	Percent of Comp	QSERP - Combination Profit Sharing and Defined Benefit Plan	Percent of Comp		
Owner A	60	250,000.00	50,000.00	20.00%	50,000.00	20.00%	\$50,000 + 205,000 DB	255,000.00	102.00%
Owner B	52	180,000.00	45,000.00	25.00%	50,000.00	27.78%	\$50,000 + 75,000 DB	125,000.00	69.44%
<i>Average</i>	56		<i>Subtotal</i>	<i>Percent of total</i>	<i>Subtotal</i>	<i>Percent of total</i>	<i>Subtotal</i>	<i>Percent of total</i>	
			95,000.00	47.80%	100,000.00	82.82%	380,000.00	92.43%	
Manager C	46	85,000.00	21,250.00	25.00%	4,250.00	5.00%	6,375.00	7.50%	
Staff D	62	62,000.00	15,500.00	25.00%	3,100.00	5.00%	4,650.00	7.50%	
Staff E	24	26,000.00	6,500.00	25.00%	1,300.00	5.00%	1,950.00	7.50%	
Staff F	51	50,000.00	12,500.00	25.00%	2,500.00	5.00%	3,750.00	7.50%	
Staff G	42	40,000.00	10,000.00	25.00%	2,000.00	5.00%	3,000.00	7.50%	
Staff H	38	37,000.00	9,250.00	25.00%	1,850.00	5.00%	2,775.00	7.50%	
Staff I	34	37,000.00	9,250.00	25.00%	1,850.00	5.00%	2,775.00	7.50%	
Staff J	26	40,000.00	10,000.00	25.00%	2,000.00	5.00%	3,000.00	7.50%	
Staff J	30	38,000.00	9,500.00	25.00%	1,900.00	5.00%	2,850.00	7.50%	
<i>Average</i>	39		<i>Subtotal</i>	<i>Percent of total</i>	<i>Subtotal</i>	<i>Percent of total</i>	<i>Subtotal</i>	<i>Percent of total</i>	
			103,750.00	52.20%	20,750.00	17.18%	31,125.00	7.57%	
		845,000.00	198,750.00		120,750.00		411,125.00		
		Owners 95,000.00	Staff 103,750.00	Owners 100,000.00	Staff 20,750.00	Owners 380,000.00	Staff 31,125.00		
				savings 83,000.00		additional 280,000.00	10,375.00		

