

Owners vs. Rank and File Employees

Some employers would like to avoid benefit funding for a highly paid group. Law firms may wish to avoid funding for Associates, or other firms may wish to avoid funding for highly paid salespeople.

The following illustration shows the effect of skipping benefits for the Associates of a law firm – a group which is made up of highly paid non partners. Since several of the employees qualify as Highly Compensated Employees; it is non discriminatory to leave them out of the benefit package. These employees may continue making 401(k) contributions.

After dropping coverage for the Associates, there is still enough of an age differential to reduce costs for the staff employees as well.

Taking the plan one step further to add a Defined Benefit Plan can add significant benefits for the oldest two partners. This extra benefit could even be used as part of an offsetting buy-out package.

Owners vs. Rank and File Employees

Age	Compensation	Classic, Flat Percentage Allocation	Percent of Compensation	Proposed Group Allocation	Percent of Compensation	QSERP Combination Defined Benefit and Profit Sharing	Percent of Compensation	
Partner	60	250,000.00	33,000.00	13.20%	33,000.00	13.20%	258,000.00	103.20%
Partner	55	250,000.00	33,000.00	13.20%	33,000.00	13.20%	204,600.00	81.84%
Partner	50	250,000.00	33,000.00	13.20%	33,000.00	13.20%	33,000.00	13.20%
Partner	45	250,000.00	33,000.00	13.20%	33,000.00	13.20%	33,000.00	13.20%
Partner	43	250,000.00	33,000.00	13.20%	33,000.00	13.20%	33,000.00	13.20%
Average 51			Subtotal	% of Total	Subtotal	% of Total	Subtotal	% of Total
			165,000.00	42.78%	165,000.00	88.42%	561,600.00	93.85%
Associate	30	220,000.00	29,040.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	44	180,000.00	23,760.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	26	150,000.00	19,800.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	32	120,000.00	15,840.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	40	100,000.00	13,200.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	34	100,000.00	13,200.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	36	90,600.00	11,959.20	13.20%	0.00	0.00%	0.00	0.00%
Associate	28	78,000.00	10,296.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	42	72,000.00	9,504.00	13.20%	0.00	0.00%	0.00	0.00%
Associate	38	70,000.00	9,240.00	13.20%	0.00	0.00%	0.00	0.00%
Average 35			Subtotal	% of Total	Subtotal	% of Total	Subtotal	% of Total
			155,839.20	40.41%	0.00	0.00%	0.00	0.00%
Staff	45	65,000.00	8,580.00	13.20%	2,860.00	4.40%	4,875.00	7.50%
Staff	50	65,000.00	8,580.00	13.20%	2,860.00	4.40%	4,875.00	7.50%
Staff	28	50,000.00	6,600.00	13.20%	2,200.00	4.40%	3,750.00	7.50%
Staff	42	50,000.00	6,600.00	13.20%	2,200.00	4.40%	3,750.00	7.50%
Staff	27	45,000.00	5,940.00	13.20%	1,980.00	4.40%	3,375.00	7.50%
Staff	37	40,000.00	5,280.00	13.20%	1,760.00	4.40%	3,000.00	7.50%
Staff	25	35,000.00	4,620.00	13.20%	1,540.00	4.40%	2,625.00	7.50%
Staff	60	35,000.00	4,620.00	13.20%	1,540.00	4.40%	2,625.00	7.50%
Staff	26	30,000.00	3,960.00	13.20%	1,320.00	4.40%	2,250.00	7.50%
Staff	34	28,000.00	3,696.00	13.20%	1,232.00	4.40%	2,100.00	7.50%
Staff	24	26,000.00	3,432.00	13.20%	1,144.00	4.40%	1,950.00	7.50%
Staff	22	22,000.00	2,904.00	13.20%	968.00	4.40%	1,650.00	7.50%
Average 35			Subtotal	% of Total	Subtotal	% of Total	Subtotal	% of Total
			64,812.00	16.81%	21,604.00	11.58%	36,825.00	6.15%
		2,430,600.00	385,651.20		186,604.00		598,425.00	

Part	165,000.00
Assoc	155,839.20
Staff	64,812.00

Part	165,000.00
Assoc	0.00
Staff	21,604.00

Part	561,600.00
Assoc	0.00
Staff	36,825.00

