

Small Business Retirement Plans

CHOOSE THE RIGHT RETIREMENT
SOLUTION FOR YOUR BUSINESS

Why Establish a Retirement Plan for Your Business?

Where will your retirement money come from? Many people believe their pensions and Social Security are enough to carry them through their retirement years. Unfortunately, as illustrated by the statistics below, that is not the case anymore.

Most people cannot rely on pensions and Social Security alone for retirement.

42%

of the workforce has access to pension coverage¹

55%

of Americans report that they have not saved enough money for retirement²

40%

of the elderly rely solely on Social Security benefits³

¹ Bankrate, 2022

² Bureau of Labor Statistics, 2022

³ National Institute on Retirement Security, 2020

BENEFITS OF A RETIREMENT PLAN FOR YOUR BUSINESS

As a small business owner, you put your heart and soul into your business. Keeping all the balls in the air as you juggle your day-to-day responsibilities is no easy task. Unfortunately, you may be so busy that you do not have time to focus on a very important aspect of business ownership—a retirement plan for you and your employees.

Retirement plans offer numerous potential benefits for you, your employees and your business, including:

- > Tax advantages provided to the business
- > Attracting and retaining quality employees
- > The opportunity for you to save and invest for your own retirement

The Earlier You Establish a Plan, the Better

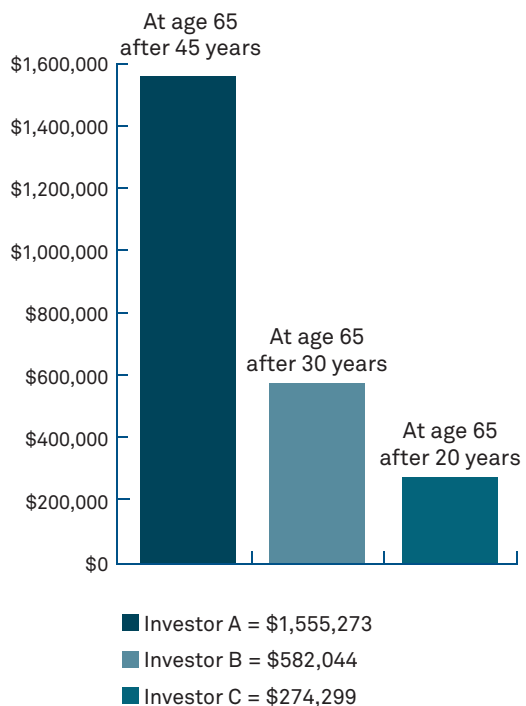
The sooner you begin a disciplined schedule of investing toward your retirement, the larger your retirement asset base may grow. By paying yourself first, as if your retirement savings were just another monthly expense, you will be better able to meet your financial needs in retirement.

This hypothetical illustration shows how investing in a tax-deferred retirement plan for longer time periods can be beneficial. You should keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Compounding Effect of Longer-Term Investing

- Investor A contributes \$6,500 a year from age 20-65.
- Investor B contributes \$6,500 a year from age 35-65.
- Investor C contributes \$6,500 a year from age 45-65.

This is a hypothetical example of an investment in a federal tax-deferred account and does not take into account federal or state income taxes, which may apply upon withdrawal. This example is for illustrative purposes only and assumes a \$6,500 contribution is made each year to a tax-deferred retirement plan, that no distributions or withdrawals were made and a 6% compounded return. Returns do not take into account fees and expenses of an actual investment, which is subject to investment risk and principal volatility or the potential fees and expenses of maintaining a tax-deferred retirement plan. Actual returns will vary and may be greater or less than any assumed rate. There can be no guarantee that any particular return will be achieved.



Benefits for You, Your Business and Your Employees

You may think that a retirement plan involves too much expense or administrative burden. Actually, it's a benefit that you cannot afford to pass up—for yourself and for your employees.

ADVANTAGES OF SMALL BUSINESS RETIREMENT PLANS

Small business retirement plans provide you with tax benefits and may help you attract and retain employees. We offer a variety of popular, easy-to-administer plans designed to meet the unique needs of your businesses:

- Simplified Employee Pension (SEP IRA)
- Savings Incentive Match Plan for Employees IRA (SIMPLE IRA)
- Individual 401(k)
- 401(k) Plans
- Money Purchase Pension Plans
- Profit Sharing Plans

LOW-COST MUTUAL FUND ONLY OPTION

For businesses looking for a low cost plan, a Mutual Fund Only Option is available for small business SEP and SIMPLE IRA plans. It carries a low-cost annual maintenance fee.

Please note that you should also consult with your tax or legal advisor before establishing a business retirement plan.

Did You Know?

- Only 46% of workers have tried to calculate how much money they will need in retirement¹
- The average amount paid monthly by the Social Security Administration was over \$1,666 in 2022²
- Three in four workers expect their workplace retirement savings plan will be a source of income in retirement¹

¹ Employee Benefit Research Institute, *2022 Retirement Confidence Survey*

² Social Security Administration, 2022

Small Business Retirement Plans Overview

Plan Details	SEP IRA	SIMPLE IRA
Businesses That Can Offer the Plan	Any business without a retirement plan	Any business with 100 or fewer employees without a retirement plan
Key Advantages	<ul style="list-style-type: none"> • Minimal administrative and regulatory requirements • Low administrative costs • Flexible annual employer contributions 	<ul style="list-style-type: none"> • Minimal administrative and regulatory requirements • Low administrative costs • Employees share responsibility for their retirement savings
Potential Disadvantages	Employer must contribute equally for all eligible employees	<ul style="list-style-type: none"> • Inflexible employer contributions • Lower contribution limits than some other qualified plans
Eligible Employees	Must be offered to all employees who are at least 21 years of age, employed by the business for at least three of the last five years and earned at least \$650 per year in 2022 and \$750 in 2023	Must be offered to all employees who have earned at least \$5,000 in the previous two years and are reasonably expected to earn at least \$5,000 in the current year
Types of Contributions Allowed	Employer contributions only	Both employee and employer contributions
Form of Contributions	Cash only	Cash only
Mandatory Annual Employer Contributions	Contributions may vary from year to year	Yes
Maximum Employee Contribution¹	N/A	\$14,000 for 2022 and \$15,500 for 2023 plus an additional catch-up contribution of up to \$3,000 for 2022 and \$3,500 for 2023 for those age 50 or older
Maximum Employer Contribution¹	Lesser of 25% of eligible compensation or \$61,000 for 2022 and \$66,000 in 2023	Employers must either match employee contributions dollar for dollar up to 3% of compensation (can be reduced to as low as 1% in two out of any five years) or contribute 2% for each eligible employee with at least \$5,000 of compensation
Annual Employee Compensation Limit for Calculating Contributions¹	\$305,000 in 2022 and \$330,000 in 2023	\$305,000 in 2022 and \$330,000 in 2023
Vesting Terms	Immediate	Immediate
Administrative and Regulatory Reporting Requirements²	Employee notice	Employee contribution notice and a Summary Plan Description (SPD)
Investment Selection	Employees are fully responsible for investment selection	Employees are fully responsible for investment selection

¹ Adjusted annually by the IRS.

² Additional reporting may be required.

This table provides an overview of SEP and SIMPLE IRAs, Individual and standard 401(k) plans, as well as Money Purchase Pension and Profit Sharing Plans. It can help you generally compare the features, benefits and contribution limits of each plan to assist you—with the help of your advisor and tax or legal professional—in determining which plan may be appropriate for your business.

Individual 401(k)	401(k)
Any sole proprietor, partnership or other business structure where the business employs only the owners and potentially their spouses	Any size business can offer a 401(k) plan
<ul style="list-style-type: none"> • Employees have responsibility for their retirement savings • Maximizes employee pre-tax contributions • Allows for loans and withdrawals • Flexible annual contributions • Discretionary profit sharing contributions 	<ul style="list-style-type: none"> • Allows employees to make larger pre-tax contributions than with other qualified plans • Employer can make matching employer contributions • Employer can customize certain plan features
<ul style="list-style-type: none"> • Administrative costs may be higher than other plans • Withdrawal and loan flexibility adds administrative responsibilities 	<ul style="list-style-type: none"> • Administration costs and requirements may be higher than other plans • Administration includes non-discrimination testing
Only business owners and their spouses employed by the business	Employees of any non-government employer, unless the 401(k) was established before May 1986
Both employee and employer contribution	Both employee and employer contribution
Cash only	Cash only
No, profit sharing contribution optional	No, profit-sharing contribution optional
Maximum employee elective deferral of \$20,500 for 2022 and \$22,500 for 2023; catch-up contributions for those age 50 and over of \$6,500 for each year	Maximum employee elective deferral of \$20,500 for 2022 and \$22,500 for 2023; catch-up contributions for those age 50 and over of \$6,500 for each year
<ul style="list-style-type: none"> • Employer contributions are not mandatory; however, employee contributions plus employer matching and/or profit sharing contributions cannot exceed lesser of 100% of compensation \$61,000 for 2022 and \$66,000 in 2023, excluding catch-up contributions (contribution limits are inclusive of employee contributions) • Employer can deduct amounts that do not exceed 25% of the aggregate compensation for all employees 	<ul style="list-style-type: none"> • Maximum combined employee and employer deferrals of lesser of \$61,000 for 2022 and \$66,000 for 2023 or 100% of includable compensation subject to non-discrimination testing • Roth after-tax deferrals are allowed
\$305,000 in 2022 and \$330,000 in 2023	\$305,000 in 2022 and \$330,000 in 2023
Immediate	Immediate for employee contributions
IRS Form 5500-SF filing when plan assets reach \$250,000	<ul style="list-style-type: none"> • Requires non-discrimination testing and a wide variety of employee notices, Summary Plan Description and Summary Annual Report • Annual filing of IRS Form 5500, if 100 or more eligible participants • Annual filing of IRS Form 5500-SF, if fewer than 100 eligible participants
Employees are fully responsible for investment selection	Employees are fully responsible for investment selection

Please note that this information is general in nature and not intended to constitute tax or legal advice. Please contact your tax or legal advisor for assistance with applying it to your particular circumstance.

Plan Details		Money Purchase Pension Plan or Profit Sharing Plan
Businesses That Can Offer the Plan	Any size business can offer either type of plan and companies can offer them even if they already have another retirement plan	
Key Advantages	<p>Profit Sharing Plan</p> <ul style="list-style-type: none"> • Wish to make large contributions to employees while realizing significant business tax deductions • Want to make discretionary contributions based on cash flow • Prefer a plan with customizable features and the opportunity to select an optimal contribution formula • Can be combined with other retirement plans <p>Money Purchase Pension Plan</p> <ul style="list-style-type: none"> • Have consistent profitability and can commit to a fixed level of employer contributions 	
Potential Disadvantages	<ul style="list-style-type: none"> • Both plans have significant administration requirements, including nondiscrimination testing and a wide variety of employee notices, SPD and Summary Annual Report • Money Purchase Pension Plans require employers to make annual contributions of a fixed percentage regardless of whether the business makes a profit 	
Eligible Employees	For both plans: Eligibility requirements can be no more restrictive than requiring employees complete one year of service and meet an age requirement (usually age 21)	
Types of Contributions Allowed	<p>Profit Sharing Plan: Both employee and employer contributions</p> <p>Money Purchase Pension Plan: Employer contributions only</p>	
Form of Contributions	Cash only	
Mandatory Annual Employer Contributions	<p>Profit Sharing Plan: No</p> <p>Money Purchase Pension Plan: Yes, must commit to a fixed annual percent of employer contributions</p>	
Maximum Employee Contribution¹	<p>Profit Sharing Plan: Employees may make after-tax contributions and pre-tax contributions as part of a 401(k) profit sharing plan</p> <p>Money Purchase Pension Plan: Employees may not make contributions</p>	
Maximum Employer Contribution¹	<p>Profit Sharing Plan: Employer may make contribution on eligible employee's behalf up to the lesser of 100% of compensation or \$61,000 in 2022 and \$66,000 in 2023</p> <p>Money Purchase Pension Plan: Employer must make a fixed contribution on each eligible employee's behalf up to the lesser of 100% of eligible compensation or \$61,000 in 2022 and \$66,000 in 2023</p> <p>An excise tax applies if the fixed contribution requirement is not satisfied</p>	
Annual Employee Compensation Limit for Calculating Contributions¹	\$305,000 in 2022 and \$330,000 in 2023	
Vesting Terms	Immediate for employee contributions	
Administrative and Regulatory Reporting Requirements²	<ul style="list-style-type: none"> • Both plans require nondiscrimination testing and a wide variety of employee notices, SPD and Summary Annual Report • Annual filing of Form 5500, if 100 or more participants • Annual filing of Form 5500-SF, if fewer than 100 eligible participants 	
Investment Selection	For both plan types, the plan trustee selects the investments made available or delegates that responsibility to an external fiduciary.	

Note: Investing involves risks, including the possible loss of principal. Investments are not FDIC insured and not insured by any federal government agency and may lose value. Different investments carry different types and degrees of risk and may not be suitable for all investors. Individuals should familiarize themselves with those risks before investing.

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