

## MERRILL SMALL BUSINESS INDIVIDUAL 401(K)

# Big benefits for your owner-only small business

Your owner-only business can benefit from a Merrill Small Business Individual 401(k) plan designed specifically for the self-employed, partnerships, sole proprietorships and owner-and-spouse businesses.

An Individual 401(k) plan can help you defer the payment of taxes on a higher level of profits (compared to other retirement investment options), and can help you prepare for your retirement.

### The benefits could really add up

#### High contribution limits

- Contributions to your 401(k) account are made up of your pre-tax salary contributions up to \$22,500 in 2023, in any combination of pre-tax or Roth 401(k) contributions. Pre-tax contributions as well as contributions you can make as the business owner reduce your taxable income, up to a combined amount of \$66,000 annually, or 25% of compensation, whichever is less.
- If you're age 50 or older, you can contribute an additional \$7,500 annually.
- You can take a loan out against your 401(k) account.

#### Save on taxes

- Company contributions to your individual account, administrative costs and other plan expenses are generally tax deductible to your business.<sup>1</sup>
- Convenient pre-tax contributions to your own individual account reduce your current personal taxable income.
- Tax-deferred compounding and growth potential, meaning potential earnings realized on investments — including interest, dividends or other returns — may then also accumulate additional earnings, all potentially tax deferred until withdrawn in retirement, when you may be in a lower tax bracket.
- Roth 401(k) option is available.

### Pricing that makes sense

#### Straightforward, low-cost pricing

One-time setup fee	\$100
Estimated monthly administration	\$20-\$25

#### Affordable features paid by individual accounts

Monthly record keeping	\$3
Annual asset-based costs	0.52%

(For investment fiduciary services, participant servicing through the call center, and account services for the ongoing product management, vendor oversight, trading and custodial services.)

For example: An account with a value (or assets) of \$1,000 will have approximately \$5.20 withheld for the year to cover the asset-based fee.

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<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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Streamlined plan setup

- Online account opening and plan setup can be done in 30 minutes or less, with help if you need it.
- Simple, straightforward pricing that is lower than most traditional 401(k) plans.
- Investment menu and portfolios tailored for the Small Business Individual 401(k) by Morningstar Investment Management LLC (Morningstar), helping take the guesswork out of your plan’s fund selection and your individual investment choices.

Convenient to use

- Company contributions can be structured as discretionary, meaning you can have the flexibility to contribute in years when cash flow is ample, or not contribute when cash flows are insufficient.
- If your business has multiple owners or you own another business, your business can still implement a 401(k) plan.<sup>2</sup>
- Administration is minimal, certain plan testing is not required, and an IRS Form 5500 is filed annually only when plan assets exceed \$250,000. Step-by-step guidance helps you understand the basic requirements and year-end reporting.
- Consolidate your investments by rolling over other retirement account balances.

Education and support

- The Ascensus recordkeeping service includes alerts to provide proactive, relevant messaging, reminding employees about the importance of participating in their retirement journey.

Integrated services help simplify your process

- Spend more time focused on your business through streamlined recordkeeping, investments, and fiduciary and call center support services.

Investments and fiduciary support

- Morningstar selects the funds for the plan and creates portfolios. And because Morningstar acts as the investment manager and fiduciary, you receive premium value as part of your low-cost plan.

Recordkeeping

- Full service recordkeeping administration is provided through Ascensus. They will guide you through the year-end plan document and report processing with a step-by-step guide, and an Ascensus 401(k) Consultant can help you set up your plan.

Call center support

- Ascensus 401(k) Consultants provide educational support. You can also access a suite of educational resources on the plan’s website to help you make the most of your plan and work toward the retirement you envision.



For example, let’s meet Bob

Bob is 45 and owns his own consulting firm. He has a spouse and no employees. His revenues can fluctuate quarter to quarter, and his tax obligations are somewhat unpredictable each year.

- He established a Merrill Small Business 401(k) to help plan for his retirement and better manage his tax obligations.
- Bob contributed the maximum allowable amount from his salary and company contributions.<sup>3</sup> With the low administrative costs and offsetting tax benefits, after one year, he realized a total benefit value of \$73,200 compared to the previous year without a company 401(k) plan.


Self-employment income <sup>4</sup>	\$150,000
Salary deducted 401(k) contribution	\$22,500
Owner’s share of employer contribution	\$37,500
Total retirement contribution	\$60,000
Total tax savings	\$13,200
Total benefit	\$73,200


The hypothetical illustration assumes the 2023 self-employment tax rate and standard deduction and marital exemptions as applied to a sole proprietor with gross income of \$250,000. The hypothetical also assumes approximately \$90,820 in business expenses (including a small annual plan administration expense) and makes no assumptions with respect to specific business deductions or credits that may be available.


## 401(k) or SEP?

For the self-employed individual, an Individual 401(k) may provide an option for maximizing both potential tax savings and retirement savings. The ability to make both a salary deferral and an employer contribution can allow an employer to put away more money than in a Simplified Employee Pension Plan (SEP), and even more for an individual over age 50 making a catch-up contribution.

### Merrill Small Business Individual 401(k)

 Investments and fiduciary support

 Recordkeeping

 Call center support

#### Individual 401(k) vs. SEP

	Individual 401(k)	SEP
Self-employment income <sup>4</sup>	\$150,000	\$150,000
Maximum salary deferral <sup>3</sup>	\$22,500	N/A
Maximum employer contribution <sup>2</sup> (Max 25% of self-employed income)	\$37,500	\$37,500
<b>Maximum total annual contributions</b> (And if age 50 or older, you may add an additional catch-up contribution to salary deferral <sup>2</sup> )	<b>\$60,000</b> \$7,500	<b>\$37,500</b> \$7,500

## The next step is easy

Get on the path toward the retirement you want and help your owner-only business realize tax breaks with a Merrill Small Business Individual 401(k). Get started today by visiting [merrilledge.com/401k](https://merrilledge.com/401k) or call an Ascensus 401(k) Consultant at **866.890.4177**.

<sup>1</sup> The deductibility of employer contributions to your account is limited by the Internal Revenue Code. Contact your tax advisor to discuss your particular circumstances.

<sup>2</sup> Certain businesses are grouped together for plan testing purposes under the Internal Revenue Code with respect to 401(k) plan rules.

<sup>3</sup> Contribution limits apply for 2023. Amounts for subsequent years may vary.

<sup>4</sup> "Self-Employment Income" is the net income after the subtraction of the hypothetical business expenses and self-employment taxes. For more information, see IRS Publication 560, Retirement Plans for Small Business at [irs.gov](https://www.irs.gov).

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#### Investing involves risk, including the possible loss of the principal value invested.


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