MERRILL SMALL BUSINESS 401(k)

Tax benefits can help you keep more of your earnings

The Merrill Small Business 401(k) is designed with simplified features that make sense for small business owners and can give you the opportunity to gain significant tax advantages. The bottom line? A Small Business 401(k) may help you retain employees and more of your hard-earned profits at a price that fits your budget.

401(k) tax facts

The Merrill Small Business 401(k) gives business owners and employees several opportunities to keep more of the money they earn.

Salary contributions: Individuals participating in the plan can contribute up to $22,500 in 2023, in any combination of pre-tax or Roth 401(k) contributions. Pre-tax contributions reduce an employee's taxable income. Individuals age 50 or older can even contribute an additional $7,500, to “catch up” their retirement nest egg.

Tax treatment of earnings: Earnings on the funds in an employee's pre-tax 401(k) are tax deferred. That means earnings are not reported as taxable income until withdrawn in retirement, when employees are likely to be in a lower tax bracket. Earnings on the funds in an employee's Roth 401(k) are tax free if withdrawn as part of a qualified distribution.

Tax deductions: If you include company matching contributions as part of your company's 401(k) plan, you not only help your employees' accounts accumulate wealth, but you also may realize tax benefits for your business. Small business owners generally can deduct administrative costs and other plan expenses, along with company contributions. Limits may apply.

Tax credits: If this is your company's first 401(k) and you have employees, you may be eligible for a tax credit of up to $5,000 each year for the first three years. For more information, visit irs.gov, Retirement Plans Startup Costs Tax Credit.

Pre-tax savings add up

If you contribute $4,000 to your pre-tax 401(k) account, and you are in the 25% tax bracket, you save $1,000 in current income taxes. You can see that the more you contribute pre-tax, the more in tax savings you generate.

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Tax benefits and more

The money invested through a 401(k) plan can go toward helping build a nest egg. With the Merrill Small Business 401(k), getting a plan that works with your business needs is as easy as ever.

The start-up process and plan administration are simple. The plan is affordable and has features that fit busy small business owners.

Other advantages include:

• 24/7 online access to your plan and educational resources.
• A step-by-step guide to assist year-end plan document and report processing.
• Automatically satisfy certain IRS testing with a safe harbor plan design.
• Fully disclosed fees.
• Affordable plan expenses potentially offset by tax savings.
• Simplified menu of investments and portfolios selected by Morningstar Investment Management LLC, that require minimal administration, allowing you to focus on running your business.

Tax savings may offset plan costs

Contributions and plan expenses generally are tax deductible and may offset plan expenses.

For example, let's meet Chris

Chris is a small business owner with fewer than 50 employees. This is the first 401(k) for the business. He is in the 25% personal income tax bracket.

• 30 of Chris’s employees participate in the plan. The average salary for all 30 employees is $45,000, with an average contribution rate of 5%. The business makes a 4% matching contribution. This results in a tax deduction to the business of roughly $54,000.

• The business is eligible for a tax credit of up to $5,000 each year for the first three years.

With a plan administration cost of only $90 per month, the tax benefit opportunities for Chris and his business far outweigh the costs associated with the plan.

Hypothetical example for illustrative purposes only. You should consult your tax advisor regarding your specific situation.

Start investing for your future today

Get started online at merrilledge.com/401k or call an Ascensus 401(k) Consultant at 866.890.4177.