



How Business Owners Can “Ice” the Benefits “Cake”

Businesses compete on many levels. Today, business owners are trying to be more creative, as well as more competitive. However, if you ask any business owner what part of the business represents one of the biggest challenges, he or she might say hiring and retaining qualified, loyal, and reliable employees. While every business owner has dealt with this dilemma on an ongoing basis, during various economic times, businesses have been faced with the pressures of a changing workplace.

One of the best ways to attract and retain an excellent staff is to provide benefits, great workspace, and pleasant conditions. There are, of course, limits to an overall package of employee benefits. And, as many employees reach higher income levels they face restrictions imposed by law that will limit what they can receive.

From the standpoint of a business owner, benefit limits discriminate against highly paid employees. Here are the main limitations that apply to qualified retirement plans as of 2015:

1. Defined benefit plan income (Internal Revenue Code Section 415) is \$210,000.
2. Defined contribution plan income is \$53,000.
3. The elective deferral maximum for 401(k) plans is \$18,000.
4. For employees who are covered by a workplace retirement plan, the deduction for making contributions to a traditional IRA is phased out at \$118,000 for married filers and \$71,000 for singles.
5. The compensation limit for 401(k) plans is \$265,000.
6. The Internal Revenue Service definition for a “highly compensated employee” is \$120,000.

With the above limitations in place, it takes some creativity for a business owner to provide more benefits for retirement.

ENTER NONQUALIFIED PLANS

Since the imposed limitations mentioned above are impossible to change, business owners should examine the benefits, at present, of nonqualified plans. There are several plans available that offer varying retirement income options, costs, and tax advantages for both (or either) the business owner and/or employee. They may include:

1. An executive bonus plan.
2. Employee voluntary deferred compensation and alternatives.
3. Split-dollar arrangements.

If you believe your business may be limited to only those options that are provided to the entire employee population, consider going beyond to another level. This is where planning and counsel from your team of experienced professionals can help you put the “icing” on your company’s benefits “cake.”

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