

# Retirement plans for businesses

## Defined contribution and defined benefit

### An investment in your people and in your company's future

Employer-sponsored retirement plans have become an important component of your total compensation package. Employers who can provide a solid retirement plan are better positioned to attract and retain the quality people needed to keep a business competitive.

But just as the expertise you have in your business provides solutions for your customers, we can provide you with solutions for your retirement planning needs. We can help you determine what can work most effectively for you and your company.

Choosing the right plan requires a thorough understanding of your firm's objectives. There are many alternative approaches you can offer your employees.

Your financial advisor can help you sort through the wide array of retirement planning options and determine the best approach for you and your employees.

### Advantages for your employees

Achieving a comfortable retirement is regularly cited by investors of all ages as a major financial goal.

One of the best ways you and your employees can prepare for this is through a company-sponsored retirement plan. These plans offer significant advantages, including:

- **Current tax savings** — No matter how much you or your employees earn in taxable income, eligible contributions to a retirement plan avoid current taxation.

- **Tax-deferred growth of investments** — Dollars invested in a retirement plan grow tax-deferred. This can make a difference of thousands of dollars to each investor at retirement.
- **Matching contributions** — Under certain plans, employees can contribute some of their own salary, and take advantage of matching dollars from you, the employer. This provides them with an instant, tax-deferred "return" on their investment.
- **Flexible vesting schedules** — Under some plans, employees are vested either immediately or within several years of joining the plan. You determine the plan that best suits your company's needs.
- **Special purpose loans and withdrawals** — With some plans, employees can take advantage of their retirement assets as a basis for loans to meet other short-term needs.

### Advantages for you

A benefit that once seemed accessible only to the largest employers can now be implemented for any company, regardless of its size. Even a one-person business can and should establish a company-sponsored retirement plan.

It's a great way to enhance your firm's total compensation package including:

### Tailor-made approaches

You can choose to implement one or more of many different plan options. We can work with you and your tax advisor to determine which plan or plans provide the best fit for your company. In addition, we can provide solutions for meeting record keeping requirements.

### Employer empowerment

As an employer, most plans give you the opportunity to determine the amount and type of contributions that are affordable and most appropriate for your firm. You make final decisions on what to provide to your employees. You have the flexibility to offer a retirement plan only to those who have completed minimum eligibility requirements.

### Tax-beneficial compensation

Contributions to a retirement plan enhance the total compensation you provide to employees, without increasing the tax burden for you or them. All contributions are immediately deductible by the company and employees are not taxed on the proceeds until they are withdrawn.

### The right plan for you

An attractive retirement plan can offer your current and prospective employees an extra incentive to put their talents to work for your firm or business.

If your company doesn't offer a plan today, implementing this one important benefit will provide enhancements to your total compensation plan — enhancements that will be appreciated by your current and prospective employees.

If you already have a retirement plan in place, it makes sense for you to review all of the options available. This is especially true now that changes in the tax laws have created even more options. You need to make sure you and your employees are getting the most out of this important benefit.

You have a wide range of plans to choose from. Depending on the size and makeup of your organization, one or more of these plans may be appropriate for your business. Work with your financial advisor to find out more about the below plans and determine which provides the best fit for your company.

### Profit sharing plan

- This plan offers tremendous flexibility to the employer in determining the annual contribution amount.
- You decide each year how much to contribute.
- You can contribute up to 25% of your total payroll.
- Each eligible employee can receive a maximum contribution of up to \$55,000 in 2018.
- Various vesting schedules are available for employer contributions.
- The plan must be in place by the last day of the employer's taxable year.
- Additional reporting and testing requirements are necessary for this plan. Please consult with your tax or legal advisor(s) to determine which requirements are applicable for you.

### SIMPLE IRA

(Savings incentive match plan for employees)

- It allows you to establish a plan and lets employees make their own contributions through salary deferral.
- It is available to companies with 100 or fewer employees.
- It allows employees to contribute up to \$12,500 in 2018. In addition any employee who is age 50, or older, can contribute an additional \$3,000 in 2018.
- Employers can choose to either make a dollar for dollar matching contribution on employee deferrals,

up to 3% of total employee compensation; or to make a nonelective 2% contribution (based on employee compensation).

- The plan must be in place by October 1 of any year.

### 401(k)

- This plan allows employees to defer a portion of their compensation, up to \$18,500 in 2018, into their own retirement account. Also, if an employee is age 50, or older, they can defer an additional \$6,000 in 2018.
- Employer contributions cannot exceed 25% of eligible payroll.
- Combined employee salary deferrals and employer contributions cannot exceed \$55,000 (plus catch up \$6,000) for any one individual in 2018.
- You can choose to offer matching and/or profit sharing contributions.
- Loan provisions allow employees to gain access to their retirement plan assets to meet more immediate needs.
- Employer contributions are not required.
- Various vesting schedules are available for employer contributions.
- Additional reporting and testing requirements are necessary for this plan. Please consult with your tax or legal advisor(s) to determine which requirements are applicable for you.

### SEP

#### (Simplified employee pension)

- This is the easiest plan to administer.
- It allows you to make tax-deductible contributions to each eligible employee's retirement account.
- Contributions can be made for any amount up to 25% of each employee's compensation (not to exceed \$55,000 in 2018).

- Generally, the contribution percentage must be the same for all employees.
- Plan can be established up until the employer's tax filing deadline (plus extensions).

### Defined benefit plan

- Allows contributions exceeding defined contribution plans.
- Available to companies of any size.
- Vesting schedules.
- Assets held in one pooled account managed by a trustee.
- Additional administration is required.
- Each eligible employee receives a contribution.
- Contributions are tax deductible.

### Make the right moves

A retirement plan is a major investment in your employees. You should make the most of this special, tax-saving benefit opportunity.

We can work closely with you and your tax advisor to help you choose the right plan or plans for your company.

In addition, we can help your employees implement an investment strategy for their own retirement plans. We provide a broad array of investment options and the right tools to build personalized portfolios.

Talk to us today to gain a better understanding of how a properly-implemented, company-sponsored retirement plan can enhance your business and the working environment for your employees.

Our firm nor its Financial Advisors are able to serve as trustee.

Our firm does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in connection with your independent tax or legal advisor.

RBC Correspondent Services and/or RBC Advisor Services, divisions of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC provides clearing and execution services and/or custody services for accounts managed by your financial advisor. The referenced product or service is available through that relationship.