

Cross-Tested Safe Harbor 401(k) Profit Sharing Plan Comparison

The chart below demonstrates the advantage of the Cross-Tested (also known as “New Comparability” (New Comp) Safe Harbor 401(k) Profit Sharing plan compared to other profit sharing plan types. The last column demonstrates how the cross-tested plan allows the owners to contribute the highest amount for themselves while contributing the lowest amount to the employees. As you can see, 83.25% will go toward the owners and 16.75% will go toward the employees. In many cases, when you add in the tax savings from the contributions, it would more than pay for the cost of the plan.

2009 Retirement Plan Contribution Comparison – Sub S

Participant	Compensation	SEP IRA	Profit Sharing (Pro-Rata)	Cross-Tested Safe Harbor 401(k) Profit Sharing 74.18% vs. 5%
Owner Age 60	\$66,000	\$16,500	\$16,500	\$49,000
Employee 1 Age 45	\$40,000	\$10,000	\$10,000	\$2,000
Employee 2 Age 38	\$30,000	\$7,500	\$7,500	\$1,500
Employee 3 Age 32	\$25,000	\$6,250	\$6,250	\$1,250
Employee 4 Age 27	\$20,000	\$5,000	\$5,000	\$1,000
Employee 5 Age 22	\$20,000	\$5,000	\$5,000	\$1,000
Total	\$201,000	\$50,250	\$50,250	\$55,750
% of Contribution for Owner		32.84%	32.84%	87.89%

If you have any questions, please contact your RBC Wealth Management® Financial Consultant.

This chart is for illustrative purposes only and is not intended to be representative of any specific investment vehicle. The information provided has been derived from sources believed to be reliable, but is not guaranteed as to accuracy and does not purport to be a complete analysis of the material discussed.

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