



## PROFIT SHARING PLANS

Profit Sharing Plans differ from 401(k) plans in that all contributions are funded by the employer. These plans can be designed as either an employee benefit where contributions are allocated to participants in proportion to salary, or they can be designed to primarily benefit business owners, highly compensated employees, or older participants.

- **Discretionary Contributions** – Contributions to Profit Sharing Plans are discretionary, and employers can contribute up to 25% of total eligible salary each year.
- **Tax Benefits** – Employers can take a tax deduction for contributions made to Profit Sharing Plans, and the plan's investment earnings grow on a tax-deferred basis.
- **Flexible Investments** – Profit Sharing Plans permit many types of investments, including mutual funds and other investments offered through your financial advisor.

### ALLOCATION METHODS

Contributions to Profit Sharing Plans can be allocated to or divided up among participants using one of the follow allocation methods:

- **Salary Proportional** – Contributions are allocated in proportion to salary.
- **FICA Integrated** – Contributions are allocated in proportion to salary, with an additional allocation to participants whose earnings exceed a certain figure, usually the indexed FICA wage limit (\$106,800 for 2010).

- **Age Weighted** – Contributions are allocated with consideration both to compensation and to age. In practice, older participants get a larger allocation than younger participants with the same earnings.
- **New Comparability** – New Comparability Plans allow an employer to make a separate contribution for different groups of employees. These groups are typically defined as Owners, Other Highly Compensated Employees and Nonhighly Compensated Employees, but other classifications can be defined depending on an employer's goals. Some companies may wish to divide employees by job classification or title. Contributions made to the various groups are allocated or divided among the employees in each group based on salary.

### JULY BUSINESS SERVICES

The professionals at July Business Services have more than 25 years experience in designing, installing, and operating Qualified Retirement Plans. We can provide you with the information and tools you need to make your retirement plan a success. Our services include:

- Plan Design & Document Services
- Employee Communications
- Nondiscrimination Testing
- Distribution & Loan Processing
- Tax Compliance Services

For more detailed information on profit sharing plans, please visit our website at [www.julyservices.com](http://www.julyservices.com).