

WHO SHOULD CONSIDER THIS PLAN?

Small or medium-size businesses who want a retirement plan that will maximize contributions to owners while minimizing contributions to other employees.

ADVANTAGES

- **Allows owners to defer** the maximum.
- **Provides a benefit package** for Highly Compensated Employees.
- **Avoids ADP Testing** which eliminates refunds to owners and other highly compensated employees
- **Minimizes company contributions** to non-owner employees.
- **Roth deferrals available.**
- **Deferral Limits:**
 - \$18,000 – For those under age 50.
 - \$24,000 – With catch-up contributions for those age 50
- **Other Limits:**
 - \$53,000 – Allocation limit for those under age 50.
 - \$59,000 – Allocation limit for those over age 50.

QUICK TEST

- Are the owners older than most of the employees?
- Does the owner have a higher income than the majority of employees?



Cross Tested 401(k) Plan - Optional Safe Harbor 3% NEC

Flexible plan that allows the employer contribution to be higher for owners and minimum contributions for the rank and file employees.

How it works

- **Tiered Contributions:** Owners and other favored employees receive significantly higher percentage of company contributions.
- **Increase Benefit to Owners:** Annual contributions for owners can be as high as \$53,000 (or \$59,000 if owner age 50 or older).
- **Low Employee Costs:** Annual contributions for other employees can be as low as 5% of other eligible employees' compensation.
- **Safe Harbor Cross Tested 401(k):** Combine a Safe Harbor 3% NEC with the Cross Tested Allocation Method can maximize contributions to owners without increasing company contributions.

Example: Traditional 401(k) vs. Cross Tested Safe Harbor 401(k)

Assumptions & Results: In both examples below, the owners receive the maximum contribution (sources: \$24,000 Deferral, 3% Safe Harbor, Profit Sharing). The Cross Tested 401(k) Plan reduces the company contribution by \$24,167.

	Age	Annual Compensation	Traditional Plan	Cross Tested Plan
Owner A	55	\$255,000	\$59,000	\$ 59,000
Owner B	50	\$150,000	\$59,000	\$ 59,000
Employee 1	40	\$55,000	\$11,917	\$ 2,750
Employee 2	35	\$30,000	\$6,500	\$ 1,500
Employee 3	30	\$30,000	\$6,500	\$ 1,500
Employee 4	25	\$30,000	\$6,500	\$ 1,500
Totals:		\$540,000	\$149,417	\$ 125,250
Reduction in Company Contributions:				(\$ 24,167)

Start Today - Free Proposal

To find out if a Cross Tested 401(k) is right for you or your client, contact us. In one easy step, Crown will run a contribution illustration at no cost or obligation.
Call Today (800) 269-1447.