

How a 401(k) Can Give Your Business a Competitive Edge



A 401(k) plan can be a talent magnet; helping you attract high-caliber employees that can elevate the success of your business.

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WHEN YOU SEE THE TERM “COMPETITIVE ADVANTAGE,” WHAT DO YOU THINK ABOUT?

Typically, small businesses think about the competitive advantage of their products or services. However, there is another factor that drives your competitiveness – **your employees**.

The quality of your employees can significantly improve your bottom line. That’s why benefits play such a vital role in keeping your business competitive.

A high quality benefit, like a 401(k) plan, can be a talent magnet ... helping you attract employees that can elevate the success of your business.

In this Paychex Blue Paper, we’ll cover how this works and some practical “next steps” you can take.

WHAT YOU’LL LEARN

-  What is a 401(k) plan?
-  What are the benefits of a 401(k) plan for employers?
-  What should you look for in a 401(k) provider?

What is a 401(k) plan?

“A 401(k) plan simply refers to a section that Congress amended into the Internal Revenue code in 1978. Specifically, it refers to pretax contributions into a participant’s personal retirement account.”

– Kevin O’Brien,
401(k) Participant Program Manager

The term “401(k)” may sound complicated to small business owners ... but it’s simply a way for employees to defer taxes on retirement savings deducted directly from payroll.

A few high-level details:

- A 401(k) allows participants to invest a portion of each paycheck before taxes are taken out.
- Saving with tax-deferred dollars means that no federal or state (if applicable) income taxes are paid until the money is withdrawn from the plan.
- This generally takes place at retirement when beneficiaries will most likely be in a lower tax bracket than their working years.



What are the benefits of a 401(k) plan for employers?

Benefits play a major role in attracting the kind of employees who can elevate the success for your company.

And a 401(k) plan is pretty much at the “top of the ladder” when it comes to benefits that are a sought-after value for today’s employees.

For example, in MetLife’s 14th Annual U.S. Employee Benefit Trends Study¹, a 401(k) plan was the third highest benefit preferred by employees, surpassed only by medical insurance and prescription drug coverage.



Also, for small businesses in particular, a 401(k) plan can help them out-compete for top talent.

When you consider the fact that nearly all large employers offer a plan, it’s tough for small businesses to compete (when only 28% of small businesses offer a plan²).

However, this inequity actually gives smaller employers – who offer a plan – a distinct advantage in recruiting talent over their competitors (who don’t).

Finally, there are attractive tax benefits to 401(k) plans for employers:

- Employer matching and profit-sharing contributions are tax deductible
- Some businesses also qualify for tax credits and other incentives.

What should you look for in a 401(k) provider?

“Meet with a person who will help build a customized plan, with a company you trust.”

– Kevin O'Brien

For many small businesses, the only downside to a plan is the complexity. This is especially the case for time-strapped employers who have little or no knowledge about retirement plans.

Therefore, it's critical to look for a provider who specializes in simplifying everything from plan design, to features and investment selection, for small businesses.

Paychex has actually earned the ranking of the largest 401(k) recordkeeper in the U.S. precisely by being able to simplify the process for small businesses. In fact, once a plan is up and running, many of the processes are completely automated due to payroll integration.

Next steps

If you're interested in learning more or setting up a plan, be sure to talk with a Paychex representative in your area. They can assess your needs and structure a plan that truly meets your needs.

Additional Resources

For additional insights, take a look at some of the resources below:

- 1. The Paychex Retirement Calculator**

www.paychex.com/demos/retirement-calculator/

- 2. White paper: Combining Payroll and 401k**

www.paychex.com/a/d/white-papers/payroll/whitepaper-combining-payroll-and-401k.pdf

Endnotes

1. MetLife (2016), Fourteenth Annual U.S. Employee Benefit Trends Study [Electronic Version], p.9. Retrieved from https://benefittrends.metlife.com/media/1168/2016_ebts_opportunityknocks_insights.pdf
2. Plansponsor.com (September 09, 2016), Data and Research: Only 28% of Small Businesses Offer a 401(k). Retrieved from <http://www.plansponsor.com/Only-28-Percent-of-Small-Businesses-Offer-a-401k/>

ABOUT PAYCHEX

Paychex, Inc. is a leading provider of integrated human capital management solutions for payroll, HR, retirement, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by 45 years of industry expertise, Paychex serves approximately 605,000 payroll clients as of May 31, 2016 across more than 100 locations and pays one out of every 12 American private sector employees. Learn more about Paychex by visiting www.paychex.com, and stay connected on Twitter (twitter.com/paychex) and LinkedIn (linkedin.com/company/paychex).

- Financially stable with no long-term debt.
- Approximately 600,000 payroll clients, touching 1 in 12 U.S. private-sector workers every two weeks.
- Moved \$690 billion on behalf of clients in 236 million ACH transactions in FY 2015.
- Largest provider of outsourced HR services in the U.S., serving more than 850,000 worksite employees.
- 700,000 retirement services participants in 70,000 401(k) plans (1 of every 10 in the U.S.), with \$23.5 billion in plan assets serviced.
- Named eight times to the Ethisphere® Institute's list of the World's Most Ethical Companies.
- Named one of the World's Most Admired Companies by *Fortune* magazine.

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