StatonWalsh

Financial Clarity Through Transparency

Prepared for:

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Qualified Plans Compared

Plan Type	Defined Benefit		Defined Contribution	
Benefit or Feature	Traditional Defined Benefit	Cash Balance Plan	Nontraditional Defined Contribution Plan	401(k) Plan
Employer contributions deductible?	Yes	Yes	Yes	Yes
Employer contributions currently taxable to participant?	No	No	No	No
Earnings accumulate income tax deferred?	Yes	Yes	Yes	Yes
Distributions can be tax favored using 10-year income averaging?	Maybe[1]	Maybe[1]	Maybe[1]	Maybe[1]
Contribution benefit base is total compensation up to $330,000?	Yes	Yes	Yes	Yes
Maximum employer annual contribution/deduction:	Determined by actuary	Determined by actuary	25% of covered payroll	25% of covered payroll excluding deferral, if plan specifies
Employer contributions required?	Yes	Yes	Money purchase – yes Profit sharing - no	No

[1] Those born before 1936 may be able to elect 10-year averaging or capital gain treatment.

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Benefit or Feature	Traditional Defined Benefit	Cash Balance Plan	Nontraditional Defined Contribution Plan	401(k) Plan
Employer contributions discretionary?	No	No	Profit sharing - yes	Yes[1]
Voluntary employer matching contributions allowed?	N/A	N/A	N/A	Yes
Employer contribution allocation	N/A	Usually tiered - defined in plan	1. Age Weighted 2. Cross Tested 3. Super Integrated 4. Tiered	1. Pro rata by compensation 2. Integrated with Soc. Sec. 3. Age-weighted or 4. Cross tested 5. Tiered
Employee contributions **Required?** **Permitted?**	 No Rarely	 No No	 No Rarely	 Maybe[2] Yes
Maximum participant benefits (defined benefit plans only)	Lesser of 100% of compensation or $265,000[2] annually	Lesser of 100% of compensation or $265,000[2] annually	N/A	N/A
Maximum participant allocations (employer and employee) (defined contribution plans only)	N/A	Actuarial equivalent of maximum benefit above	Lesser of 100% of compensation or $66,000[2]	Lesser of 100% of compensation or $66,000[2]
Catch-up provisions for those age 50 and older	N/A	N/A	No	Yes $7,500[2]

[1] Top-heavy minimum employer contribution may be required.

[2] Applies to 2023.

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Plan Type	Defined Benefit		Defined Contribution	
Benefit or Feature	**Traditional Defined Benefit**	**Cash Balance Plan**	**Nontraditional Defined Contribution Plan**	**401(k) Plan**
Required discrimination tests **Coverage?** Benefits/Contributions? Deferral rates of highly compensated/non-highly compensated?	Yes N/A	Yes N/A	Yes N/A	Yes Yes
Can exclude employees from plan participation on basis of age, length of service, or union membership?	Yes[1]	Yes[1]	Yes[1]	Yes[2]
Can exclude employees from plan participation on the basis of collective bargaining, and certain non-resident aliens?	Yes	Yes	Yes	Yes
Investments Self-directed by participants or can be invested at participant discretion (most plans impose some practical considerations) and/or Directed by the trustee, must be diversified and prudent	N/A Yes	N/A Yes	Yes Yes	Yes Yes
Self-dealing is prohibited between plan and a number of related persons?	Yes	Yes	Yes	Yes

[1] Must allow participation if the employee is at least age 21 and has performed 1 or 2 years (1,000 hours per year) of service.

[2] Must allow participation if the employee is at least age 21 and has performed 1 or 2 years (1,000 hours per year) of service. Effective January 1, 2024, part-time employees working at least 500 hours per year for three years must be allowed to make 401(k) deferrals, but need not be included in employer contributions.

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Plan may recognize employer contributions or benefits of Social Security?	Yes	Yes	Yes	Yes
Participants who are favored	Older and closer to retirement	Older and closer to retirement	Highly compensated and older	Younger
How much will there be at retirement?				
Benefits specified in plan?	Yes	Yes	N/A	N/A
Investment return affects retirement benefits?	No	No	Yes	Yes
Benefits guaranteed at retirement?	Yes	Yes	No	No
Who bears investment risk?	Employer	Employer	Employee	Employee
Ease of understanding by participants	Difficult	Easy – Benefit defined as a contribution amount	Difficult to Easy	Easy
Can life insurance be provided?	Yes	Yes	Yes	Yes
Can participants have a traditional, deductible IRA, or a Roth IRA, subject to income level limitations based on filing status?	Yes	Yes	Yes	Yes
Forfeitures are used to:	Reduce employer contribution	Reduce employer contribution	Reduce employer contribution or are reallocated among participants	Reduce employer contribution or are reallocated among participants

Plan Type	Defined Benefit		Defined Contribution	
Benefit or Feature	Traditional Defined Benefit	Cash Balance Plan	Nontraditional Defined Contribution Plan	401(k) Plan
Can participants take loans subject to strict rules?	Yes	Yes	Yes	Yes
Are hardship withdrawals permitted under well-defined circumstances? (Participant cannot defer for 6 months thereafter.)	N/A	N/A	N/A	Yes
Top heavy requirements, if applicable[1]				
Defined benefit plans	Yes - 2% annual benefit for 10 years	Yes – Contribution is equivalent to a 2% annual benefit for 10 years		
Defined contribution plans			Up to 3% of compensation[2]	Up to 3% of compensation[3]

[1] If more than 60% of the plan assets or accrued benefits are allocated to key employees, the plan is top heavy. A "Key" employee is someone who, at any time during the plan year was (1) an officer of the employer whose compensation from the employer exceeded $215,000; or (2) a more than 5% owner; or (3) a 1% owner whose compensation from the employer exceeded $150,000

[2] This amount may be greater in some circumstances.

[3] This amount depends on facts and circumstances.