

SMALL BUSINESS RETIREMENT PLANS

Choose the right retirement
solution for your business

WHY ESTABLISH A RETIREMENT PLAN FOR YOUR BUSINESS?

Where will your retirement money come from? Many people believe their pensions and Social Security are enough to carry them through their retirement years. Unfortunately, as illustrated by the statistics below, that is not the case anymore.

Most people cannot rely on pensions and Social Security alone for retirement.

19%

of the workforce participates in a pension plan¹

56%

of Americans report that they have not saved enough money for retirement¹

40%

of the elderly rely solely on Social Security benefits²

¹ Bureau of Labor Statistics, 2023

² Retirement Living, Social Security Statistics 2024

BENEFITS OF A RETIREMENT PLAN FOR YOUR BUSINESS

As a small business owner, you put your heart and soul into your business. Keeping all the balls in the air as you juggle your day-to-day responsibilities is no easy task. Unfortunately, you may be so busy that you do not have time to focus on a very important aspect of business ownership—a retirement plan for you and your employees.

Retirement plans offer numerous potential benefits for you, your employees and your business, including:

- > Tax advantages provided to the business
- > Attracting and retaining quality employees
- > The opportunity for you to save and invest for your own retirement

BENEFITS FOR YOU, YOUR BUSINESS AND YOUR EMPLOYEES

You may think that a retirement plan involves too much expense or administrative burden. Actually, it's a benefit that you cannot afford to pass up—for yourself and for your employees.

ADVANTAGES OF SMALL BUSINESS RETIREMENT PLANS

Small business retirement plans provide you with tax benefits and may help you attract and retain employees. We offer a variety of popular, easy-to-administer plans designed to meet the unique needs of your businesses:

- Simplified Employee Pension (SEP IRA)
- Savings Incentive Match Plan for Employees IRA (SIMPLE IRA)
- Individual 401(k)
- 401(k) Plans
- Money Purchase Pension Plans
- Profit Sharing Plans

LOW-COST MUTUAL FUND ONLY OPTION

For businesses looking for a low cost plan, BNY Pershing's Mutual Fund Only Option is available for small business SEP and SIMPLE IRA plans. It carries a low-cost annual maintenance fee.

Please note that you should also consult with your tax or legal advisor before establishing a business retirement plan.

Did You Know?

- Only half of workers have tried to calculate how much money they will need in retirement¹
- The average amount paid monthly by the Social Security Administration was over \$1,707 in 2023²
- 85% of current workers expect their workplace retirement savings plan will be a source of income in retirement¹

¹ EBRI 2023 Retirement Confidence Survey

² Social Security Administration, 2023

SMALL BUSINESS RETIREMENT PLANS OVERVIEW

| PLAN DETAILS | SEP IRA | SIMPLE IRA |
|---|--|---|
| Businesses That Can Offer the Plan | Any business without a retirement plan | Any business with 100 or fewer employees without a retirement plan |
| Key Advantages | <ul style="list-style-type: none"> Minimal administrative and regulatory requirements Low administrative costs Flexible annual employer contributions | <ul style="list-style-type: none"> Minimal administrative and regulatory requirements Low administrative costs Employees share responsibility for their retirement savings |
| Potential Disadvantages | Employer must contribute equally for all eligible employees | <ul style="list-style-type: none"> Inflexible employer contributions Lower contribution limits than some other qualified plans |
| Eligible Employees | Must be offered to all employees who are at least 21 years of age, employed by the business for at least three of the last five years and earned at least \$750 in 2023 and 2024 | Must be offered to all employees who have earned at least \$5,000 in the previous two years and are reasonably expected to earn at least \$5,000 in the current year |
| Types of Contributions Allowed | Employer contributions only | Both employee and employer contributions |
| Form of Contributions | Cash only | Cash only |
| Mandatory Annual Employer Contributions | Contributions may vary from year to year | Yes |
| Maximum Employee Contribution¹ | N/A | \$15,500 for 2023 and \$16,000 for 2024 plus an additional catch-up contribution of up to \$3,500 for 2023 and 2024 for those age 50 or older |
| Maximum Employer Contribution¹ | Lesser of 25% of eligible compensation or \$66,000 in 2023 and \$69,000 in 2024 | Employers must either match employee contributions dollar for dollar up to 3% of compensation (can be reduced to as low as 1% in two out of any five years) or contribute 2% for each eligible employee with at least \$5,000 of compensation |
| Annual Employee Compensation Limit for Calculating Contributions¹ | \$330,000 in 2023 and \$345,000 in 2024 | \$330,000 in 2023 and \$345,000 in 2024 |
| Vesting Terms | Immediate | Immediate |
| Administrative and Regulatory Reporting Requirements² | Employee notice | Employee contribution notice and a Summary Plan Description (SPD) |
| Investment Selection | Employees are fully responsible for investment selection | Employees are fully responsible for investment selection |

¹ Adjusted annually by the IRS.

² Additional reporting may be required.

Please note that this information is general in nature and not intended to constitute tax or legal advice. Please contact your tax or legal advisor for assistance with applying it to your particular circumstance.

| PLAN DETAILS | INDIVIDUAL 401(K) | 401(k) |
|---|--|--|
| Businesses That Can Offer the Plan | Any sole proprietor, partnership or other business structure where the business employs only the owners and potentially their spouses | Any size business can offer a 401(k) plan |
| Key Advantages | <ul style="list-style-type: none"> • Employees have responsibility for their retirement savings • Maximizes employee pre-tax contributions • Allows for loans and withdrawals • Flexible annual contributions • Discretionary profit sharing contributions | <ul style="list-style-type: none"> • Allows employees to make larger pre-tax contributions than with other qualified plans • Employer can make matching employer contributions • Employer can customize certain plan features |
| Potential Disadvantages | <ul style="list-style-type: none"> • Administrative costs may be higher than other plans • Withdrawal and loan flexibility adds administrative responsibilities | <ul style="list-style-type: none"> • Administration costs and requirements may be higher than other plans • Administration includes non-discrimination testing |
| Eligible Employees | Only business owners and their spouses employed by the business | Employees of any non-government employer, unless the 401(k) was established before May 1986 |
| Types of Contributions Allowed | Both employee and employer contribution | Both employee and employer contribution |
| Form of Contributions | Cash only | Cash only |
| Mandatory Annual Employer Contributions | No, profit sharing contribution optional | No, profit-sharing contribution optional |
| Maximum Employee Contribution¹ | Maximum employee elective deferral of \$22,500 for 2023 and \$23,000 for 2024; catch-up contributions for those age 50 and over of \$7,500 for each year | Maximum employee elective deferral of \$22,500 for 2023 and \$23,000 for 2024; catch-up contributions for those age 50 and over of \$7,500 for each year |
| Maximum Employer Contribution¹ | <ul style="list-style-type: none"> • Employer contributions are not mandatory; however, employee contributions plus employer matching and/or profit sharing contributions cannot exceed lesser of 100% of compensation \$66,000 for 2023 and \$69,000 in 2024, excluding catch-up contributions (contribution limits are inclusive of employee contributions) • Employer can deduct amounts that do not exceed 25% of the aggregate compensation for all employees | <ul style="list-style-type: none"> • Maximum combined employee and employer deferrals of lesser of \$66,000 in 2023 and \$69,000 in 2024 or 100% of includable compensation subject to non-discrimination testing • Roth after-tax deferrals are allowed |
| Annual Employee Compensation Limit for Calculating Contributions¹ | \$330,000 in 2023 and \$345,000 in 2024 | \$330,000 in 2023 and \$345,000 in 2024 |
| Vesting Terms | Immediate | Immediate for employee contributions |
| Administrative and Regulatory Reporting Requirements² | IRS Form 5500-SF filing when plan assets reach \$250,000 | <ul style="list-style-type: none"> • Requires non-discrimination testing and a wide variety of employee notices, Summary Plan Description and Summary Annual Report • Annual filing of IRS Form 5500, if 100 or more eligible participants • Annual filing of IRS Form 5500-SF, if fewer than 100 eligible participants |
| Investment Selection | Employees are fully responsible for investment selection | Employees are fully responsible for investment selection |

¹ Adjusted annually by the IRS.

² Additional reporting may be required.

Please note that this information is general in nature and not intended to constitute tax or legal advice. Please contact your tax or legal advisor for assistance with applying it to your particular circumstance.

| PLAN DETAILS | MONEY PURCHASE PENSION PLAN OR PROFIT SHARING PLAN |
|---|---|
| Businesses That Can Offer the Plan | Any size business can offer either type of plan and companies can offer them even if they already have another retirement plan |
| Key Advantages | <p>Profit Sharing Plan</p> <ul style="list-style-type: none"> • Wish to make large contributions to employees while realizing significant business tax deductions • Want to make discretionary contributions based on cash flow • Prefer a plan with customizable features and the opportunity to select an optimal contribution formula • Can be combined with other retirement plans <p>Money Purchase Pension Plan</p> <ul style="list-style-type: none"> • Have consistent profitability and can commit to a fixed level of employer contributions |
| Potential Disadvantages | <ul style="list-style-type: none"> • Both plans have significant administration requirements, including nondiscrimination testing and a wide variety of employee notices, SPD and Summary Annual Report • Money Purchase Pension Plans require employers to make annual contributions of a fixed percentage regardless of whether the business makes a profit |
| Eligible Employees | For both plans: Eligibility requirements can be no more restrictive than requiring employees complete one year of service and meet an age requirement (usually age 21) |
| Types of Contributions Allowed | <p>Profit Sharing Plan: Both employee and employer contributions</p> <p>Money Purchase Pension Plan: Employer contributions only</p> |
| Form of Contributions | Cash only |
| Mandatory Annual Employer Contributions | <p>Profit Sharing Plan: No</p> <p>Money Purchase Pension Plan: Yes, must commit to a fixed annual percent of employer contributions</p> |
| Maximum Employee Contribution ¹ | <p>Profit Sharing Plan: Employees may make after-tax contributions and pre-tax contributions as part of a 401(k) profit sharing plan</p> <p>Money Purchase Pension Plan: Employees may not make contributions</p> |
| Maximum Employer Contribution ¹ | <p>Profit Sharing Plan: Employer may make contribution on eligible employee's behalf up to the lesser of 100% of compensation or \$66,000 in 2023 and \$69,000 in 2024</p> <p>Money Purchase Pension Plan: Employer must make a fixed contribution on each eligible employee's behalf up to the lesser of 100% of eligible compensation or \$66,000 in 2023 and \$69,000 in 2024</p> <p>An excise tax applies if the fixed contribution requirement is not satisfied</p> |
| Annual Employee Compensation Limit for Calculating Contributions ¹ | \$330,000 in 2023 and \$345,000 in 2024 |
| Vesting Terms | Immediate for employee contributions |
| Administrative and Regulatory Reporting Requirements ² | <ul style="list-style-type: none"> • Both plans require nondiscrimination testing and a wide variety of employee notices, SPD and Summary Annual Report • Annual filing of Form 5500, if 100 or more participants • Annual filing of Form 5500-SF, if fewer than 100 eligible participants |
| Investment Selection | For both plan types, the plan trustee selects the investments made available or delegates that responsibility to an external fiduciary. |

¹ Adjusted annually by the IRS.

² Additional reporting may be required.

Please note that this information is general in nature and not intended to constitute tax or legal advice. Please contact your tax or legal advisor for assistance with applying it to your particular circumstance.

GETTING STARTED

After you review the features, benefits and contribution limits of each plan, contact your advisor and tax or legal professional to help determine which plan may be appropriate for your business.

Note: Investing involves risks, including the possible loss of principal. Investments are not FDIC insured and not insured by any federal government agency and may lose value. Different investments carry different types and degrees of risk and may not be suitable for all investors. Individuals should familiarize themselves with those risks before investing.

This summary is for general information purposes only.

©2024 Pershing LLC. All rights reserved.

Pershing LLC, member FINRA, NYSE, SIPC, is a subsidiary of Pershing Group, LLC. Pershing Advisor Solutions LLC, member FINRA, SIPC, and BNY Mellon, N.A., member FDIC, are affiliates of Pershing LLC and BNY companies.

BNY, BNY Mellon and Bank of New York Mellon are corporate brands of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally. Investment advisory services, if offered, may be provided by BNY Mellon Advisors, Inc., an investment adviser registered in the United States under the Investment Advisers Act of 1940, or one or more affiliates of BNY. Technology services may be provided by Pershing X, Inc.

For professional use only. Not intended for use by the general public. Trademark(s) belong to their respective owners. The information contained herein, including any attachments, is proprietary to BNY Pershing. It may not be reproduced, retransmitted or redistributed in any manner without express written consent. This material does not constitute a guarantee by BNY or BNY Pershing of any kind. This material is for general information purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter. BNY Pershing is not responsible for updating any information contained within this material and information contained herein is subject to change without notice.

The products and/or services described in this piece are offered to you by your financial organization, not directly by Pershing LLC.