Thinking of starting a retirement plan for your business?

Updating your benefits can give you a competitive advantage.

3 in 4 employees say good employee benefits …
- Encourage them to work harder and perform better.¹
- Keep them working for their current employer.¹

Employees with a retirement plan* are more than twice as likely to be at least somewhat confident in their ability to save enough for a comfortable retirement as those without a plan.²

Your business benefits too.

- Nearly 9 in 10 say adding a retirement plan helped attract and retain employees. And it had a positive impact on employee performance.³
- If your company has never had a 401(k) or 403(b) plan, you may claim tax credit of 50% of startup costs for the first three years.⁴
- You can also deduct matching contributions from the business’s income, up to a certain limit.

Don’t wait. Here’s why.

Not only do your employees want it, they’re counting on it.
- 81% of small business employees …
  - Expect their employer to offer a plan.⁵
  - Plan to fund their retirement with money saved in a workplace retirement plan.²
- 73% say it’s a critical factor in deciding whether to stay or switch jobs.⁶
- And when given a choice of a salary increase or retirement plan: 2 in 5 choose the plan.⁷

A retirement plan can help your employees save and business remain competitive and offers a way to diversify assets. Not to mention when your employees retire on time it can help your bottom line too.

Take the next step — know your options.

* Have retirement plan defined as respondent or spouse having at least one of the following: IRA, DC plan or DB plan.
What’s the right plan for your business?

You’re ready to start. Now it’s time to determine the right type of retirement plan for your organization. This guide can help.

Start here

Do you want your employees to contribute to the plan?

Yes

Defined contribution plan 401(k) & 403(b)

No

Do you have fewer than 100 employees?

Yes

Are you comfortable with a required employer contribution?

Yes

Do you want to allow loans?

Yes

SIMPLE IRA

No

No

No

SEP IRA

Yes

No

Yes

No

No

Yes

Yes

No

No
Once you’ve narrowed it down, let’s dig into the details.

**Defined contribution plan: 401(k) and 403(b)**
- Popular for businesses
- Easier for employees to understand than other plan types
- Recognized, so employees may be more comfortable

**SEP IRA**
- Generally for very small businesses and the self-employed
- Establishes an individual retirement account (IRA) for each eligible employee
- Completely funded by employer contributions

**SIMPLE IRA**
- Requires employer contributions
- Must be the only qualified plan you maintain within the calendar year

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**Overview**

**Typical employer**
- All businesses (except governmental agencies)*
- Businesses with 10 or fewer employees
- Businesses with up to 100 employees (including self-employed)

**Advantages for the employer**
- Federally tax-deductible company contributions (generally)
- Tax credit for first-time retirement plan sponsors
- Options to offset administrative costs
- Flexible plan design
- Federally tax-deductible company contributions (generally)
- Easy administration
- No requirement on frequency or amount of contributions
- No employer administration fee
- Minimal paperwork
- Federally tax-deductible company contributions (generally)
- Easy administration
- No plan compliance testing or annual Form 5500
- No employer administration fee
- Minimal paperwork

**Considerations**
- You, the employer, are not required to contribute
- Employees can defer up to $19,000 ($25,000 if age 50 or over and catch-ups are allowed) or 100% of compensation
- Can allow Roth (after-tax) contributions, a vesting schedule and loans
- You, the employer, can contribute up to 25% of compensation or $56,000, whichever is less
- Does not allow Roth (after-tax) contributions, a vesting schedule or loans
- May establish up until the extended due date of the employer’s tax return
- May require the employer to cover employees who would be excludable under standard 401(k) plan provisions
- You, the employer, can contribute either by matching up to 3% of each eligible employee’s salary or contributing 2% of all eligible employees’ salaries, regardless of participation
- Employees can defer up to $13,000 ($16,000 if age 50 or over)*
- Does not allow Roth (after-tax) contributions, a vesting schedule or loans
- May establish between Jan. 1 and Oct. 1
- May require the employer to cover employees who would be excludable under standard 401(k) plan provisions

*403(b) plans are offered by tax-exempt or certain educational organizations.
We can help

Want to start a plan? Or are you looking to make your existing plan work better for your employees? Contact your financial professional today. And ask how Principal® can help.

1 Principal Well-Being Index – Employees, Principal, December 2017.
2 2018 Retirement Confidence Survey, EBRI, April 2018.
3 Employer Barriers to and Motivations for Offering Retirement Benefits, Pew Charitable Trusts, June 2017.
4 Limited to $500 per tax year.
6 The State of Employee Benefits, EBRI, April 2018.
7 Employees Want Plan Features That Accelerate Retirement Savings, American Century Investments, 2017.
8 Internal Revenue Service limits as indexed for the 2019 calendar year. For IRS contribution limits in future years, go to IRS.gov.

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