

Ideas and insight into smarter retirement plans for owners, family members and preferred employees

## Discretionary Company Contributions to 401(k) Plans

**Leading Employee Benefit:** Since 401(k) plans were added to the law in the Revenue Act of 1978, they have become a leading employee benefit for all types and sizes of businesses.

**Hidden Flexibility:** Many business owners and high-level managers don't realize that IRS rules allow 401(k) plan sponsors many flexible ways to reward deserving employees beyond traditional company matching contributions. As a result, many companies adopt basic 401(k) plans that do not allow them to make any contributions for valued employees who do not contribute to the plan, or to reward employees above and beyond the matching contribution.

**Overcome Matching Contribution Limitation:** IRS rules permit companies that establish 401(k) plans to make discretionary contributions to select employees whether or not they made 401(k) salary deferrals, allowing the company to overcome the limitations of a fixed matching contribution formula. While there are IRS testing requirements if such discretionary company contributions are made to owners or highly compensated employees (those who earned more than \$105,000 in the prior year), there are virtually no restrictions on making such contributions to all other employees.

**The Elusive Pre-Tax Bonus:** Companies may choose to use discretionary contributions to reward their valued employees with periodic, performance-based, pre-tax bonus payments. Such discretionary company contributions are tax-deductible to the company, not currently taxable to the recipient employee and are not subject to payroll taxes, either from the company or the employee.

**How the MandMarblestone Group Supports Discretionary Company**

Find out about how to reward your best employees with a pre-tax bonus!

To learn more about our *OCP*<sup>®</sup> plan designs and how you can reward your best employees and reduce your income taxes, call the MandMarblestone Group at 215-222-5000.

Reduce your income tax with IRS approval!

## Contributions

- **Implementation** – The MandMarblestone Group has received IRS approval for its One Category Per Participant (***OCPP***®) plan design. **This IRS-approved *OCPP*® plan document is the basis for allowing discretionary company contributions.** We work with management to craft the framework of the 401(k) plan design that not only provides a contribution structure to meet a company’s financial and tax objectives, but also is in alignment with the company’s compensation model and culture. We then draft the plan document to achieve those objectives. **The MandMarblestone Group does not offer investments or provide investment advice.**

- **Annual Consulting** – The MandMarblestone Group offers several annual service models to support efficient and compliant 401(k) plan operation. On a continuing basis, we are responsive to a variety of changing circumstances that impact the company, including changes in:

- Employee demographics
- Company profitability
- Industry trends
- New legislation
- Company growth

## How to Reach Us

If you believe that the MandMarblestone IRS-approved ***OCPP***® plan design, which allows discretionary company contributions, may be right for your company, contact:

Bob Mand, Ken Marblestone or Lori Gordon.

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***OCPP***® is a registered service mark of The MandMarblestone Group llc, a Philadelphia, PA legal/consulting/third party administration firm that obtained IRS approval of the ***OCPP***® plan design for its retirement plan clients.

It’s not too late to implement Discretionary Company Contributions to your 401(k) plan for 2009.

Have peace of mind with continuing expert consulting and guidance to ensure compliance.

Contact us to help you get the most from your 401(k) plan - and with IRS approval!

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