

Owner-only 401(k) profit sharing plans



Wealth
Management

An owner-only 401(k) profit sharing plan provides greater flexibility than a SEP or SIMPLE IRA by offering businesses without eligible employees to maximize allowable contributions while keeping costs and administration lower than a traditional 401(k) plan.

Eligibility

Available to any business that employs only owners and their spouses, including C corporations, S corporations, partnerships and sole proprietorships.

Establishment deadline

Prior to the 2023 plan year, owner-only 401(k) arrangements that included elective deferral options were required to be established by December 31 of the year contributions were made for. The Secure 2.0 Act modified this rule for certain entity types. For the 2023 plan year, sole proprietors and owners of single-member LLC's

can establish and make elective deferral contributions up until their tax filing deadline—not including extensions—for the prior year.

Contribution limits

- **Employer contributions** — You can contribute up to 25% of your annual income, based on a maximum compensation amount of \$345,000 (2024 limit).
- **Salary deferral contributions** — You can defer up to \$23,000 of your income (2024 limit).
- **Catch-up contributions** — If you are age 50 or older, you can contribute an extra \$7,500 of your income into the plan (2024 limit).

The sum of your employer contribution and your salary deferral contributions cannot exceed \$69,000 (or \$76,500 with a catch-up) in 2024.

Other key benefits

In addition to generally providing higher and more flexible contribution

limits, these plans also offer:

- **Contribution flexibility** — You can decide each year how much you want to contribute to your plan.
- **Lower costs than a traditional 401(k) plan** — Your plan may incur considerably lower fees than a traditional 401(k) plan.
- **Less administrative duties** — Since you do not have eligible employees, your plan is not required to perform complicated discrimination testing or other detailed administration requirements. When the plan assets reach \$250,000, you are required to file IRS Form 5500-EZ annually, regardless of fluctuations in the balance of the plan.
- **Wide range of investment options** — You can fund your 401(k) plan with any investment you choose, including stocks, bonds, mutual funds, CDs and government securities.

Taxable earned income	Elective deferral limits under age 50 / Deferral limits age 50 or over	Up to 25% of earnings as profit-sharing contribution (example below assumes 25%)	How does it add up? The sum of your salary deferral and profit-sharing contribution cannot exceed \$69,000 (\$76,500 for individuals 50 or older) in 2024.
\$75,000	\$23,000/\$30,500	\$18,750	\$41,750/\$49,250
\$150,000	\$23,000/\$30,500	\$37,500	\$60,500/\$68,000
\$300,000	\$23,000/\$30,500	\$69,000 (maximum profit-sharing contribution)	\$69,000/\$76,500

Source: IRS.gov

All examples are based on compensation earned from a corporation (S-corp or C-corp).

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- **Roth deferrals allowed** — You can choose to make your elective salary deferral as a Roth contribution.
- **Loan option available** — You are allowed to take out tax-free and penalty-free loans from your plan, which you can repay at a competitive interest rate.
- **Rollovers are generally permitted** from other retirement plans.

Call your financial advisor

We can help you evaluate your needs to determine which retirement plan may be most appropriate.



Brandon Chandler CFP®, CPFA®

Financial Advisor

(913) 451-3537

brandon.chandler@rbc.com

us.rbcwm.com/burkschandlerig

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23-20-02951_2063 (01/24)