

## Message for Small Business Owners

### Why Have a 401k Retirement Plan?

There are many different reasons why you will want to consider sponsoring a 401k plan in your workplace. Here are some of them:

- 1. A 401k retirement plan demonstrates that you care about your employees and want to help them plan for their future.**  
This turns out to be better for the company too. Happy employees are better employees. Study shows better benefits can increase profit by 7.3%.
- 2. It is an important recruitment tool and employees care about this benefit.**  
With diminishing prospects of Social Security and Medicare Benefits, Americans are more and more concerned about retirement security. According to a study conducted by Fidelity, 49% of employees who have a 401(k) plan would not move to a company that does not offer this benefit. Companies that want to compete for talented staff could be at a serious disadvantage.
- 3. It is a great tax deferral tool for both participants and employers.**  
For employees, all contributions are tax deductible. Capital gains, dividends, interests grow tax deferred until at withdrawal. As for employers, all company contributions and plan expenses are tax deductible.
- 4. Tax credit for small employers on part of the ordinary and necessary costs in starting a retirement plan.** The credit equals 50% of the cost to set up and administer the plan, up to a maximum of \$500 per year for each of the first 3 years of the plan.
- 5. Tax credit for certain low and moderate income individuals.** The maximum contribution eligible for the credit is \$2000.
- 6. A Roth 401(k) program can be added to a 401(k) plan to allow participants to make after tax contributions** into separate account providing an additional way to save for retirement.

**Pension Maxima Investment Advisory**

*9 Leone Close, Scarsdale, New York 10583 Tel: 914-574-5203*

*2341 Huntington Drive, California 91108 Tel: 626-216-7483*