

7 employer considerations for a rewarding workplace retirement plan



Enhance your retirement savings while rewarding top employees.

With inflation at record levels and the intense competition for quality talent, your workplace retirement plan can provide a dual solution. To get the most out of sponsoring your retirement plan, it's important to review it regularly to learn if more efficient plan design options are available.

For business owners wanting to save for their own retirement, have you considered:

1. **SAFE HARBOR 401(k):** Max out your personal 401(k) deferral. With a Safe Harbor 401(k) plan, employers and highly compensated employees can save up to the maximum amount each year. You will need to make an employer contribution, generally, it costs about 4% of total payroll and allows employers to avoid most annual compliance tests.
2. **PROFIT SHARING:** Get creative with plan design options to maximize employer dollars. There are three primary types of profit-sharing plans: traditional (same percentage for everyone), new comparability (favors certain groups of employees while providing

increased flexibility), and age-weighted (the most helpful for retaining senior talent).

3. **CASH BALANCE PLAN:** For owners looking for large tax deductions and to save \$150,000 or more per year, a combination 401(k) and Cash Balance plan may be a strong retirement savings strategy.

For companies that want to recruit, reward and retain top talent, have you considered:

4. **IMMEDIATE ENTRY:** Allow your newly hired employees to immediately join the plan. Start them out with good savings habits from the beginning of their employment.
5. **AUTO-ENROLLMENT:** Take advantage of the SECURE Act's \$500 tax credit for the first three years that the plan implements auto-enrollment. Be bold and auto-enroll employees at 10% retirement savings to set them up for retirement savings success. They can always opt-out or change their allocation.
6. **ENHANCED MATCH AND/OR STRETCH THE MATCH:** Reward your employees that save by matching their

allocations, using creative formulas that nudge them to save more.

- **Standard match** – \$1 for \$1 up to 5%
 - Employee reacts by saving 5% towards retirement
 - Company contributes 5% of employee salary to their 401(k) account
- **Enhanced match** – \$0.50 up to 10%
 - Employee responds by saving 10% towards retirement
 - Company contributes 5% of the employee salary to their 401(k) account (Same company cost, but now the employee is saving 2x more.)

7. **NON-QUALIFIED DEFERRED COMPENSATION PLAN:**
This is an outside-the-box retirement plan to attract, reward and retain executive talent. It allows for very large deferrals of compensation and income taxes until a defined future date; however, additional restrictions apply.

Offering a workplace retirement plan is an opportunity for you as an employer to save for your own retirement while employing the best talent available. Use our tips to curate a workplace savings plan that balances your needs with those of your business.

Our consultants are skilled at helping public and private organizations better understand their fiduciary responsibilities. Connect with us at hhconsultants.com

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