401(k) Made Easy In 2025

Who is EZTPA

When you choose a 401(k) plan administrator for your retirement plan, you want proficiency and experience that addresses your needs as a business owner as well as the needs of your plan participants. Whether establishing a new plan or converting your existing plan to a new provider, EZTPA provides you with the expertise, flexibility and plan design possibilities you require to offer a competitive benefit to your employees. At EZTPA, we are focused on offering a comprehensive client experience, so you and your employees can enjoy the benefits of a safe and secure retirement. This guide is intended to assist in explaining your 401(k) plan design options and the services EZTPA will provide you.

WHAT MATTERS MOST TO YOU?

Minimizing Costs
401(k) Plan

Employer Match Plan

Maximizing the Tax Deduction
New Comp 401(k)

Cash Balance Plan

Attracting and Retaining Employees
Safe Harbor 401(k)

Profit Sharing Plan

A defined contribution plan is a retirement savings vehicle that lets employees contribute to a tax-advantaged retirement account. In these plans, contributions and growth in the account can be either tax deferred until the money is withdrawn or taxed when contributed and grow tax free even after the assets are withdrawn . Inall defined contribution plans, investment risksand the potential for gain are borne by the participating employee, not the employer. Employers can offer various types of employer contributions to encourage workers to contribute to the plan with the ultimate decision to save resting with the employee.

> **“Qualified retirement plansareregulated by boththe Internal Revenue Service andthe Department of Labor. Every qualified plan is subject to numerous tests and limits.”**

What You Need to KNOW

401K MADE EASY

What You Need to KNOW

1. The maximum annual deductible employer contribution is 25% of eligible payroll.

2. The maximum compensation that can be considered for any participant for purposes of calculating contributions is $350,000 (in 2025).

3. The maximum participant deferral in a 401(k) plan is $ 23,500 (in 2025); with the exception of additional "Catch -Up" contributions (up to$7,500 in 2025) by plan year-end.

4. The maximum "annual addition" per participant (from all contributions and other sources combined) is the lesser of 100% of compensation or $71,000 (in 2025) plus catchup contributions.

5. A plan must be tested annually for compliance with all applicable limits.

6. A firm contribution of up to 3% of compensation may be required if the account balances of key employees exceed 60% of the total of all account balances - a plan exceeding this level is considered a "top-heavy" plan.

7. Contributions to a 401(k) plan must be remitted by the firm to the trustee as soon as administratively feasible and in any case no later than 15 days after the end of the month in which the compensation was deferred.

Minimizing Cost

401(k) Plan with a Matching Contribution

In this example, the company has setup a 401(k) plan with a dollar for dollar match up to 5 % of pay. The owners are able to maximize their 401(k) savings and benefit from the 5% employer matching program because the staff members contribute 5% of their pay annually. This allows the owners to defer 6.8% of their income and take advantage of the matching contribution. The two owners are able to save $78,000 while providing a retirement benefit of $7,250 for their employees' retirement future.

Typically used when the firm seeks to maximize flexibility and minimize expenses

To benefit from the 401(k), business owners need their employees to participate in the plan.

Employer-matching contributions can be made discretionary and subject up to a 6 year-vesting period

Demographics		Deductible Contribution			
Employee	**Age**	**Eligible Compensation**	**401(k) Deferral+ Catchup**	**Employer Match**	**Total Contribution**
Owner 1	60	$305,00	$27,000	$15,250	$42,250
Owner 2	40	$305,00	$20,500	$15,250	$35,750
Employee 1	50	$50,000	$2,500	$2,500	$5,000
Employee 2	40	$40,000	$2,000	$2,000	$4,000
Employee 3	30	$30,000	$1,500	$1,500	$3,000
Employee 4	20	$25,000	$1,250	$1,250	$2,500
Totals Contributed by Owners		$755,000	$54,750	$37,750	$92,500
For Illustrative Purposes ONLY		Percentage of Benefit to Business Owner			91.5%

Attracting Employees

401K MADE EASY

Safe Harbor 401(k) Plan with Profit Sharing Plan

In this example, the owners are able to save without having to worry about the employees participating in the plan. The safe harbor will vest after one year of service and the profit sharing will vest over 6 years. If an employee leaves prior to the 6 year vesting period, the employer will receive back 100% of the employees un-vested profit sharing contribution plus any earnings associated with this contribution. The two owners are able to save $102,400 while providing a retirement benefit of $13,050 for their employees' retirement future..

Typically used when the firm seeks to recruit and retain employees.

Allows highly compensated employees to maximize their deferrals without worrying about employee participation.

The safe harbor contribution: 3% non-elective contribution or 4% matching contribution is 100% vested immediately.

The profit sharing plan contribution can have a vesting schedule of up to 6 years.

Demographics		Deductible Contribution				
Employee	Age	Eligible Compensation	401(k) Deferral + Catchup	SafeHarbor NonElective Contribution	ProfitSharing Plan Contribution	Total Contribution
Owner 1	60	$305,000	$27,000	$9,150	$18,300	$54,450
Owner 2	40	$305,000	$20,500	$9,150	$18,300	$47,950
Employee 1	50	$50,000	$2,500	$1,500	$3,000	$7,000
Employee 2	40	$40,000	$2,000	$1,200	$2,400	$5,600
Employee 3	30	$30,000	$500	$900	$1,800	$3,200
Employee 4	20	$25,000	$0	$750	$1,500	$2,250
Totals Contributed by Owners		$755,000	$52,500	$22,650	$45,300	$120,450
For Illustrative Purposes ONLY		Percentage of Benefit to Business Owner				88.7%

Maximize the Deduction

Safe Harbor 401(k) Plan with New Comparability Profit Sharing Plan

Inthis example,thetotal retirement contribution fortheowners is13.28% and the employees receiving 4.43% of compensation. The owners are able to fully maximize their 401(k) savings via the safe harbor 401(k) feature and provide a retirement benefit without having to worry about large out of pocket costs to the business. By using the new comparability methodology, we are able to provide a larger benefit for the two owners who are able to save $127,500 while providing a retirement benefit of $6,424 for their employees' retirement future.

Typically used to maximize the business owner's retirement savings.

Safe Harbor 401(k) non-elective contribution combined with a profit-sharing testing design that employs a testing methodology that is customarily used in defined benefit plans applied to a defined contribution plan.

The profit-sharing plan contribution can have a vesting schedule of up to 6 years.

Demographics		Deductible Contribution				
Employee	**Age**	**Eligible Compensation**	**401(k) Deferral + Catchup**	**SafeHarbor NonElective Contribution**	**ProfitSharing Plan Contribution**	**Total Contribution**
Age	60	$305,00	$27,000	$9,150	$30,850	$67,000
Eligible	40	$305,00	$20,500	$9,150	$30,850	$60,500
Compensation	50	$50,000	$2,500	$1,500	$715	$4,715
401(k) D +	40	$40,000	$2,000	$1,200	$572	$3,772
Catchup	30	$30,000	$500	$900	$429	$1,829
eferral	20	$25,000	$0	$750	$358	$1,108
Totals Contributed by Owners		$755,000	$52,500	$22,650	$63,774	$133,924
For Illustrative Purposes ONLY		Percentage of Benefit to Business Owner				95.2%

Super Charge the Max Deduction

Safe Harbor 401(k) plus Profit Sharing plus Cash Balance Plan

In this example, the two owners are able to save in excess of the IRS limits on 401(k) plans by combining the 401(k) plan with a Cash Balance plan. Under this hybrid design, the benefit to the two owners is boosted allowing them to tax-shelter $397,500 while providing a retirement benefit of $15,225 for their employees retirement future. Of the total contribution of $412,725 contributed to the plan by the owners or on behalf of the employees, 96.3% of the benefit went to the business owners.

Especially attractive to highly compensated business owners who want to tax-shelter in excess of the 401(k) maximums

Combines the flexibility of a Defined Contribution plan with the tax-reducing advantages of a Defined Benefit Plan

Ideal for professional groups, family and closely held businesses, and sole proprietors with predictable cash flow and consistent profits

Demographics		Deductible Contribution				
Employee	Age	Eligible Compensation	401(k) Deferral + Catchup	SafeHarbor NonElective Contribution	Cash Balance Plan Contribution	Total Contribution
Owner 1	60	$305,00	$27,000	$0	$250,00	$277,000
Owner 2	40	$305,00	$20,500	$0	$100,00	$120,500
Employee 1	50	$50,000	$2,500	$1,500	$3,750	$7,750
Employee 2	40	$40,000	$2,000	$1,200	$3,000	$6,200
Employee 3	30	$30,000	$500	$900	$2,250	$3,650
Employee 4	20	$25,000	$0	$750	$1,875	$2,625
Totals Contributed by Owners		$755,000	$52,500	$4,350	$360,875	$412,725
For Illustrative Purposes ONLY		Percentage of Benefit to Business Owner				96.3%

Reporting and Disclosure Tasks

Reporting and Disclosure Tasks

Preparations of the Federal Form 5500.

Prepare annual statements of vested benefits.

Provide a summary annual report to the participants and beneficiaries receiving benefits.

Administrative Record Keeping

- Review the census and identify new entrants
- Calculate year-end employer contributions
- Update participantvesting
- Allocate forfeitures
- Calculate 401(k) and 401(a) discrimination testing
- Perform top heavy testing
- Perform coverage testing under IRC Section 410(b)
- Calculate IRCSection 415 annualadditionlimitsfor each participant
- Calculate deductible contributions under IRC Section 404
- Update cumulative records of employee contributions as required for hardship distributions

Distributions and Loans

- Calculation of vested benefits Calculation of loan amounts Calculation of plan distributions
- Provide the participant with the necessary distribution election forms
- Provide the participant with the required loan promissory notes