



Saving for the Future with a 401(k)



**BENEFITS &
PERKS**



**HIRING &
ONBOARDING**



**MANAGING
YOUR TEAM**



**KEEPING
COMPLIANT**



**RUNNING A
BUSINESS 101**

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INTRODUCTION

Help Your Employees get Started

The [2017 Retirement Confidence Survey](#) by the Employee Benefit Research Institute (EBRI) found that 3 in 10 workers report feeling mentally or emotionally stressed about preparing for retirement. Despite that, just 41% of those surveyed say they've tried to figure out how much money they will need in retirement.

It's time to help your employees get started. Whether you have one employee or a hundred, it's becoming much easier for small businesses to provide a better 401(k).



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PART ONE

Savings in a Nutshell

Your employees are at a disadvantage if they aren't planning for their future. Saving money is not easy, but it's essential to achieving financial well-being.

The sooner employees start saving, the stronger their retirement finances will be down the line. And a 401(k) is an important savings opportunity for employees that only an employer can give them.

Many smaller companies believe that offering a 401(k) is too expensive, risky, or confusing to be worth the perceived bother. It's easy for small employers to worry they do not have the stability or resources to set up and maintain a retirement plan.

Selecting investment options for employees or assessing the liabilities and obligations of operating a plan can be challenging. As a result, owners often decide it's not worth the hassle, risk, or cost to start a plan.



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PART TWO

The Benefits of Offering a 401(k) Plan

But there are many benefits to offering plans that make it worth the perceived bother. Here are a few:



Recruiting Advantages

Benefits are a low-cost way to attract top talent and compete with big businesses. Like it or not, many job seekers expect to see a 401(k) as a part of their benefits package.



Talent Retention

Benefits like 401(k) also help with retention. Recruiting, employee turnover, and hiring all cost money that could partially be prevented by taking care of your team with great benefits.



Personal Gain

If you set up a 401(k) for your employees, you also get to enjoy the benefits of pre-tax contributions. You get to reduce the overall risk in your personal financial portfolio by having the added security of that 401(k) account in your back pocket.



Alternative to High Salaries

If you are trying to recruit an exceptional employee and one of your competitors offers a 401(k), you'll have to increase the salary enough to justify the difference. Offering a 401(k) may be a way to keep salaries down in the negotiation process.



PART THREE

What is a 401(k)?

A 401(k) is a retirement savings plan that an employer sets up for their employees. In a standard 401(k), employees can defer a portion of their paycheck, pre-tax, to the retirement savings plan. This way, savings are set aside before an employee can even start spending. Employers can opt to match a percentage of the employee's contribution, helping them to save more and creating an incentive to do so.

Traditional

A traditional 401(k) enables small business owners to customize their plan and choose whether to offer employees matching contributions. When an owner decides to provide a match, he or she can choose what percentage of employees' salaries to match and contribute, and if the company should use a vesting schedule.

Safe harbor

A safe harbor 401(k) allows business owners to automatically satisfy and potentially avoid IRS non-discrimination testing, a governmental check and balance that ensures plans are helping all employees save, and not just the top few earners. In a safe harbor 401(k), employers can contribute the maximum deferral amount to their own accounts and must provide a relatively small match or contribution to all enrollees.

Tiered profit

The tiered profit sharing or advance profit sharing 401(k) is designed for businesses with strong profits and fewer than 50 employees. The employer contributes a different percentage of employees' compensation based on their roles within the company. For example, at a law firm, the employer profit contribution may be 5% for partners, 4% for attorneys, and 3% for all other employees. These plans also typically include a safe-harbor employer contribution.



401(k) Facts

- ✔ Employees are immediately 100% vested in their own tax-deferred contributions.
- ✔ Employee contributions to a 401(k) and any investment gains and earnings are tax-deferred until they are distributed, usually after retirement. For many people, income tax rates are lower at retirement because of lower income or residence in a state with no or lower income tax.
- ✔ Because employee withdrawals before age 59 1/2 may be subject to 10% penalty, employees tend to leave them alone and let them grow.
- ✔ Employees that retire any time during the calendar year in which they turn 55 or older are not subject to the 10% penalty.
- ✔ Many 401(k)s permit loans with special conditions for specific reasons such as the purchase of a primary residence, education or medical expenses, or hardship withdrawals.



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PART FOUR

Benefits of a 401(k)

How Employees Benefit From a 401(k)

It's convenient to save.

Having money automatically deducted from a paycheck each month is more conducive to saving than having to put money aside after it's already in your bank account and you have access to it.

You may pay less to Uncle Sam.

Your contribution comes out of your paycheck "pre-tax"-before income taxes are deducted, which means your taxable income is less, which in turn lowers your tax liability.



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How Your Company Could Benefit

A [2017 survey of employee benefits](#) for the Society of Human Resource Management (SHRM) found that 90% of the employers offered a traditional 401(k) or similar defined contribution savings plan, and 76% offered an employer match.

Your employees are your most valuable resource. Anything you can do to keep them is something you should want to do. If you're worrying about the cost of offering a 401(k), keep in mind that employers benefit from tax savings to offset the cost.

Small businesses under 100 employees may qualify for a special tax credit for offering a 401(k) to their employees. For the first three years, you could get a **tax credit of up to \$500 off per year** for your company.

However, it doesn't have to end there. Company matches, if you decide to offer them, are tax deductible. You are offering an additional benefit to your employee and lowering your tax obligations — it's a win-win. The match is where many small business owners stand out from the crowd.



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PART FIVE

401(K) at Justworks

How a Justworks 401(k) Works

Justworks 401(k) is available to all customers and is fully integrated on our platform. You're able to invest anywhere, including big fund managers like Vanguard and Fidelity. Employers also have the option of matching contributions.

Have Justworks Set It All Up

As a PEO, Justworks gives entrepreneurs the ability to offer the benefits their employees want at prices a small company can afford. This is achieved by pooling together customers to increase buying power with access to top-quality benefits. Justworks also offers access to health, dental, vision, pre-tax commuter, 401(k), life insurance, and numerous other benefits and perks.



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CONCLUSION

Justworks Can Help

The reality is, employees expect a 401(k). And for top prospects, that benefit can be a deciding factor. Putting yourself at a disadvantage by not offering 401(k) when trying to recruit top talent will only hinder your business. The sooner employees start setting aside those funds, the stronger their retirement savings will be down the line.

The ability to write off 401(k) employer matching contributions on your company's taxes offers savings that you can use to provide your employees with other perks and benefits. To top it off, if you enroll in the 401(k), you'll save money both on a business and personal level.

Offering a 401(k) as a small business doesn't have to be difficult. There are many companies that offer low-cost options. If you decide to work with Justworks, 401(k) is built right into our platform for your employees to access. When you opt in, we help with setup so the hard part is off your plate. Simply sit back and watch your employees grow their retirement savings.

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