



## PROFIT SHARING STRATEGIES

### EMPLOYERS SUITABLE FOR A CASH BALANCE PLAN

- Increased tax deductions
- Maximized contributions
- Mitigate fiduciary liability
- 360° comprehensive review
- Flexible and customized plan options
- Active investment management
- Payroll integration options
- Employee financial education and advice
- High-level service
- Knowledge and dedication

### WHY RTBH?

RTBH has partnered with HKFS, a wealth management company that specializes in CPA firm clients. Founded by the partners of Honkamp Krueger & Co., P.C., a Top 100 CPA and business consulting firm, HKFS has a thorough understanding of the special relationship between CPAs and their clients. They work seamlessly with us to offer you an all-encompassing approach to financial planning.

### RETIREMENT PLANNING SOLUTIONS THAT WORK FOR YOUR BUSINESS

#### The Strategy

A cross-tested profit sharing plan can offer freedom and flexibility through company contributions that maximize plan contributions for owners and key employees. By implementing a cross-tested formula, most owners and key employees are eligible to receive a higher profit sharing allocation while also providing a benefit to other employees.

#### Cross-Tested Profit Sharing Plan

A cross-tested profit sharing plan uses formulas that allow a business to maximize plan contributions to higher-paid owners and key employees. With our partners at HK Financial Services we help ensure the profit sharing allocation is in compliance with all regulations. This design also provides flexibility by allowing the business to put employees into different groups or categories which can be used as a performance-based, profit sharing design.

#### Why Use With Safe Harbor 401(k)

A safe harbor plan offers the freedom for highly-compensated employees to defer the maximum without concerns of receiving refunds typically found in non-safe harbor plans. When designed correctly, the IRS allows for the safe harbor required contribution to help meet the minimum requirements of the cross-tested profit sharing plan. If interested in learning more about a cross-tested safe harbor plan design, please contact RTBH.

#### CONSIDERATIONS FOR A CROSS-TESTED PROFIT SHARING WITH 401(k) PLAN

- Cross-tested profit sharing plans are generally used by businesses wanting to increase contributions for key employees.
- Cross-tested profit sharing plans are for businesses looking to increase tax deductions within a 401(k) plan.
- Cross-tested profit sharing requires additional discrimination testing to determine minimum benefits for other employees.
- Cross-tested profit sharing combined with a 401(k) safe harbor plan provides increased flexibility on total company contributions.
- Owners can benefit from receiving 70% or more of contributions with proper design.
- Smaller companies with a stable work force will minimize fluctuations in the required minimum contributions for employees.

## CASE STUDY ILLUSTRATION SAMPLE

PHYSICIAN OFFICE	AGE	WAGES	401(k) DEFERRAL	SAFE HARBOR 3%	PROFIT SHARING (CROSS-TESTED)	TOTAL CONTRIBUTION
Owner 1	59	\$270,000.00	\$24,000.00	\$8,100.00	\$27,900.00	\$60,000.00
Owner 2	53	\$270,000.00	\$24,000.00	\$8,100.00	\$27,900.00	\$60,000.00
<b>Total Owner Contributions</b>						<b>\$120,000.00</b>
Employee 1	42	\$36,042.00	\$0.00	\$1,081.26	\$508.19	\$1,589.45
Employee 2	27	\$14,040.00	\$0.00	\$421.20	\$197.96	\$619.16
Employee 3	28	\$12,331.00	\$0.00	\$369.93	\$173.87	\$583.80
Employee 4	31	\$16,259.00	\$0.00	\$487.77	\$229.25	\$717.02
<b>Total other employee contributions</b>						<b>\$3509.43</b>
<b>Grand total contributions</b>						<b>\$123,509.43</b>
<b>Estimated tax savings (45% tax rate)</b>						<b>\$55,579.24</b>
<b>Contributions % of total</b>						
Owner's % of total						97.16%
Non-owner's % of total						2.84%
Total %						100.00%



### Retirement Plan Approach and Value

Our approach through our partners at HK Financial Services is to provide you with a customized retirement plan that meets your personal and organizational goals. We will create a retirement strategy and program focused on your needs.

HKFS engages with CPA firms to connect tax advice with wealth management. We provide a holistic, guided approach that covers all aspects of the planning roadmap to achieve your goals and dreams. With our dashboard of services, you can view and manage your entire financial journey.

### WE OFFER:

- Complete retirement plan services, providing record keeping, third-party administration and investment management services
- A complete executive services platform to help businesses retain top employee talent
- A unique, comprehensive GPS software that helps clients stay on track with retirement goals
- Personalized attention to each client through live interaction
- Dedicated and experienced representatives to help with communication efficiencies and understanding your business

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