

401(k) Plan

HOW IT WORKS

401(k) plans center around employee contributions through pre-tax payroll deductions. Additionally, employers have the option of matching employee contributions, making a Profit Sharing contribution or both. Although extensive recordkeeping and reporting is required, this plan offers tremendous investment flexibility.

KEY ADVANTAGES FOR THE EMPLOYER

- Company contributions are tax deductible.
- You have the flexibility to change the amount of contributions you wish to make each year.
- Various vesting schedule options are available for employer contributions.
- Contributions can be made in amounts up to 25 percent of eligible payroll.
- A 401(k) plan is an attractive benefit to offer prospective employees while building loyalty among existing employees.

KEY ADVANTAGES FOR YOUR EMPLOYEES

- A 401(k) plan can help provide for your employees' retirement.
- Employees can reduce their taxable income and their taxes by contributing up to \$16,500 in 2010.
- Employees age 50 or older may be allowed to contribute an additional \$5,500 pretax "catch up" amount in 2010.

- Earnings grow and compound tax-deferred.
- Early withdrawals in cases of hardship may be permitted.
- Employees have the flexibility to choose from a broad range of investment options.
- Employees can participate in the profits of the company, if the contribution formula is based on profits.
- A loan program may be offered to participants to help meet short-term needs.

401(k)S ARE MOST APPROPRIATE FOR:

- Employers who want a plan that offers employees the ability to save for their own retirement;
- Companies desiring a vesting schedule on employer contributions; and
- Employers who don't want to be required to make contributions each year.

WHAT YOU SHOULD KNOW ABOUT 401(k) PLANS

You can determine each year whether your company will make a contribution and how much it will be. If you choose to make matching or profit sharing contributions, you have the option of determining whether a vesting schedule should be used. You also decide whether loan provisions should be included and whether withdrawals will be allowed in cases of "hardship".



RBC Wealth Management®

401(k) Plan

SPECIAL RECORDKEEPING REQUIREMENTS

You will need to regularly file reports with the IRS, conduct annual anti-discrimination and participation tests, and provide regular reports to participants. A plan administrator may be required to perform these important functions.

INCOME LIMITS

Contributions can only be based on the first \$245,000 of an employee's income in 2010. The sum of the employer's contribution and the employee's salary deferral contribution cannot exceed \$49,000* in 2010 or 100% of the employee's compensation, whichever is less.

*\$54,500 in 2010 if age 50 or older.

HOW RBC WEALTH MANAGEMENT CAN HELP YOU

Your RBC Wealth Management® Financial Consultant can work closely with you to help design the right 401(k) plan for your company. We can provide you and your tax advisor with a prototype plan document that contains the most popular and efficiently administered 401(k) options available in the market.

In addition, we can provide you and your employees with a full range of investment options to help implement each employee's retirement strategy.

RBC Wealth Management is not a Tax Advisor. All decisions regarding tax implications of your investments should be made in connection with your independent tax advisor.

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