

# Owner-Only 401(k) Profit Sharing Plans

If you own your own business, and you and your spouse or you and a partner(s) are the only employees, you can take advantage of an Owner-Only 401(k) Profit Sharing Plan [Owner-Only 401(k)], made possible by recent tax law changes. Owner-Only 401(k) plans are advantageous because they potentially allow you to contribute significantly larger amounts of money to the plan compared to a SEP IRA, SIMPLE IRA or many other available retirement plans.

## ELIGIBILITY

The Owner-Only 401(k) Profit Sharing Plan is available to any business that employs only owners and their spouses, including C corporations, S corporations, partnerships and sole proprietorships.

## IMPROVED 401(k) OPTIONS FOR SMALL-BUSINESS OWNERS

Before 2002, you may have found that a 401(k) plan did not meet your needs. You could have saved just as much money for retirement through a SEP IRA or SIMPLE IRA — and these plans weren't burdened with the costly setup and maintenance fees and complex rules associated with a 401(k) plan.

However, your 401(k) plan options have improved significantly, thanks to provisions contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Today, you can put away much larger sums of money into an Owner-Only 401(k) plan — and also benefit from a 401(k) plan's other features.

## HIGHER CONTRIBUTION LIMITS

- *Employer Contributions* — You can contribute up to 25 percent of your annual income into a 401(k) profit sharing plan, based on a maximum compensation amount of \$245,000 (2010 limit.)
- *Salary Deferral Contributions* — You can defer up to \$16,500 of income into your 401(k) plan in 2010 and thereafter it is indexed for inflation.
- *“Catch-up” Contributions* — If you are age 50 or older, you can contribute an extra \$5,500 into your 401(k) plan in 2010. This “catch-up” amount is indexed for inflation.

The sum of your employer contribution and your salary deferral contributions cannot exceed \$49,000 in 2010 (\$54,500 for individuals over 50 years of age in 2010).

## OTHER KEY BENEFITS

Apart from providing higher contribution limits, your Owner-Only 401(k) offers you some other key benefits:

- *Contribution Flexibility* — You decide each year how much you want to contribute to your plan — or whether you want to contribute at all.
- *Lower Costs Than Traditional 401(k)s* — Your plan will likely incur considerably lower fees than a standard 401(k) plan.
- *Less Administrative Duties* — Unlike a traditional 401(k) plan, an Owner-Only plan contains no complicated discrimination tests or detailed



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administrative requirements. When the plan assets are \$250,000 or greater, you are required to file IRS Form 5500-EZ annually, regardless of fluctuations in the balance of the plan.

- *Wide Range of Investment Options* — You can fund your 401(k) plan with virtually any investment you choose — stocks, bonds, mutual funds, CDs, government securities.
- *Loan Option Available* — You can take out tax-free and penalty-free loans from your 401(k) plan, which you can repay at a competitive interest rate.
- *Rollovers Permitted* — Your 401(k) plan generally can accept rollovers from other retirement plans.

## CALL YOUR FINANCIAL CONSULTANT

Your RBC Wealth Management® Financial Consultant can help you evaluate your needs to determine which retirement plan may be most appropriate. If an Owner-Only 401(k) Profit Sharing Plan is right for you, then your financial consultant can help you establish the plan and offer recommendations on investment options.

For more information about RBC Wealth Management and our products and services, visit [www.rbcwm-usa.com](http://www.rbcwm-usa.com)

*RBC Wealth Management does not provide tax or legal advice. We will work with your independent tax/legal advisor to help create a plan tailored to your specific needs.*

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