

# Tax Credit for Retirement Plan Start Up Costs

Are you considering setting up a retirement plan but are hesitant to do so because of start up costs and annual administration expenses?

If so, you need to know that you may be eligible to claim a tax credit for part of the ordinary and necessary costs of starting and maintaining an employer sponsored plan (including SEPs, SIMPLEs, Profit Sharing, and 401(k) plans). The credit equals 50% of the cost to set up and administer the plan and educate employees about the plan, up to a maximum of \$500 per year for each of the first 3 years of the plan. In addition, you may be able to take a tax deduction for any administration expenses that are not part of the credit.

#### **TO BE ELIGIBLE, AN EMPLOYER:**

- Must sponsor a plan which has at least one employee eligible to participate who is not considered to be a Highly Compensated Employee (*individual who is at least a 5% owner or anyone who earned more than \$110,000 in 2010 or \$110,000 in 2011*)
- Must have had no more than 100 employees during the preceding year that received at least \$5,000 of compensation
- Cannot have sponsored a retirement plan to which contributions were made or benefits accrued for the preceding 3 years.

To file for the tax credit or for more details refer to **Form 8881 – Credit for Small Employer Pension Plan Startup Costs**, IRS Publication 560, and to your tax advisor.

This is a great benefit to get your company retirement plan started. If you have any questions on this or other retirement related topics, please contact your RBC Wealth Management® Financial Advisor.

RBC Wealth Management is a full-service brokerage firm, founded in 1909, which currently has more than \$100 billion in assets under management. At RBC Wealth Management we recognize the importance of selecting and designing an appropriate retirement plan for you and your employees.

*Please consult with your tax or legal advisor.  
RBC Wealth Management does not provide tax or legal advice.*

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