Small Business Retirement Plan Guide

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Our goal – to develop a retirement plan that meets your needs

Build Your Plan on a Solid Foundation

A retirement savings plan is essential to your success as a small-business owner. It can help you attract and retain quality employees, assist in improving employee morale and increase productivity, offer you an edge against your competitors in hiring new employees and provide your business tax advantages.

Establishing and maintaining a retirement plan for your business is a major under-taking. You want to make sure the plan and services you select meet your business needs. Whether your business has a plan in place or you're interested in establishing a new retirement plan, it's crucial to evaluate your situation regularly.

With more than 30 years experience in retirement plan administration, our customers are assured of quality service during and after the sale. Mutual of Omaha has been a symbol of stability for generations, consistently earning strong ratings from independent rating agencies.

Cost . . . Can I Afford to Offer a Plan?

As the cost-conscious owner of a small business, you may think that a retirement plan is a luxury. Actually, it's a benefit you can't afford to pass up for yourself and your employees.

Funded by tax-deductible contributions, a small business retirement plan can help:

- reduce your business taxes
- build vital retirement plan savings
- provide an attractive benefit to recruit, reward and retain valuable employees

Our team will help evaluate your company's retirement plan needs. We consider key factors like cost, plan features, recordkeeping services, tax implications and investment choices. Once you make a plan selection, our specialists will walk you through every step of the process, from plan design to daily administration.

Age-Weighted Profit Sharing

Age-weighted plans are suitable for small companies with one or more key employees who are older and earn more money than the rest of a company's workforce. Contributions are based on age and compensation, allowing employees closer to retirement to receive larger contributions than their younger counterparts.

Benefits

- Contributions for older employees may be considerably higher than those made for younger employees.
- Businesses are allowed to make an annual tax-deductible contribution of 25 percent of compensation paid during the year to the participants under the plan
- Same flexibility as traditional profit-sharing plans
- Contributions are not required every year
- Vesting schedules are available
- Loans and hardship withdrawals are permitted

New Comparability

New comparability plans enable companies to categorize employees by a variety of criteria, including ownership, tenure, age and job function, rather than allocating contributions based solely on age and compensation. Each category may then receive a different contribution percentage.

New comparability plans may prove beneficial to companies that are considered "top heavy" by the IRS because employers are already making minimum contributions to eligible employees.

Benefits

- Employees are grouped as "preferred" or "non-preferred" with the preferred group(s) receiving the bulk of the contribution
- Contribution limits are the same as those of a traditional profit-sharing plan
- Same flexibility as traditional profit-sharing plans
- Contributions are not required every year
- Vesting schedules are available
- Loans and hardship withdrawals are permitted

Super Comparability

Super comparability plans combine aspects of Safe Harbor 401(k) plans and new comparability plans. These plans provide a company with the ability to make maximum contributions for highly-compensated employees. Companies who have had challenges meeting non-discrimination testing and "top heavy" requirements may find this plan design to be attractive.

Benefits

- Allow employees to make annual 401(k) pretax salary deferrals
- Additional "catch-up" contributions may be made by participants age 50 or older
- Non-discrimination testing is not required for Safe Harbor employer-matching contributions
- Discretionary profit-sharing contributions are permitted
- Maximum contributions and salary deferrals for highly-compensated employees

Defined-Benefit

Defined-benefit plans provide employees a specific benefit at retirement. They are ideal for companies with older employees who wish to build assets rapidly over a short period and for high-revenue companies and preferred groups that can afford to make higher contributions.

Benefits

- No other qualified plans allow higher contributions than defined-benefit plans
- Maximum retirement benefit is 100 percent of average compensation for the three consecutive years in which the participant's compensation was the highest (maximum of $160,000 per year)
- Defined-benefit plans take the guesswork out of retirement; employees will know how much they can expect to receive at retirement
- Employers can contribute the maximum of 100 percent of compensation or $40,000, whichever is less, to a defined-contribution plan and still fund the defined-benefit plan

Money Purchase

Tax legislation in 2002 made money purchase plans obsolete. These plans were adopted by self-employed individuals and small business owners who wanted to contribute higher amounts of money to a retirement plan. But the new increased contribution limits of profit-sharing plans have changed that. Now, employers may contribute the same amount to a profit-sharing plan as they can to a money purchase pension plan without mandatory contributions.

If you are considering moving your existing money purchase plan assets to a new plan type, please consult your tax advisor.

The Employers' Unique Fiduciary Responsibilities

404(c) Compliance

You should consider adopting an investment policy for your company. A written investment policy sets the standards for your plan investments and provides guidelines for reviewing and changing the plan's investment options. You have an important role in selecting and monitoring your company's retirement plan. You have the option of limiting your personal liability for losses if you comply with the Department of Labor regulations related to Section 404(c) of the Employee Retirement Income Security Act.

- 404(c) requires a broad range of investment alternatives; a financial advisor can help determine which funds would be appropriate to meet the 404(c) requirements
- 404(c) allows the employer to make investment changes on a frequent basis; the employer can select how often changes will be made to a plan
- 404(c) mandates that the employer provides sufficient information to help employees make an informed decision

Non-Qualified Deferred Compensation

Business owners often want to do something extra for key employees. "Top Hat" programs for a select group of employees can allow additional benefits without including the entire workforce.

Benefits

- Eliminates discrimination testing and contribution limits associated with qualified retirement plans
- Not subject to laws that restrict benefits available to highly-compensated employees in qualified plans
- Employer has complete discretion in determining eligibility
- Triggering events may be written into the agreement
- Reduces employee's current tax bill
- Offsets the employer's accrued liability
- Other Issues:
  - The employer receives a deduction only when the promised benefit amount becomes taxable income to the participating "top hat" employee
  - Loans are not permitted for the participants
  - Once a deferral election is made, it can't be changed during the year unless a participant is no longer an employee
  - Plans may either be a defined benefit (salary continuation) or defined contribution (salary deferral)

Trained, Registered Representatives

With Mutual of Omaha, you have multiple brand-name investment options with a diversified menu that can help your participants reach their goals. Our representatives will take the time to understand your company needs and overall business goals. We'll put your knowledge of your company to work to help you sponsor a plan that works for your business...now and in the future.

After all, you need to be free to run your company, not your retirement plan.

Pension Plan Services

Our commitment includes accurate and timely reports, nationally-competitive administrative service fees and prompt personal response to inquiries. We provide support from the initial plan design and implementation to follow up with complete ongoing administrative services like:

- Plan design and proposal services
- IRS approved plan documents
- Expert compliance testing
- Preparation of forms
- Local support and an assigned pension analyst
- Quarterly participant statements
- Quarterly employee and employer newsletters
- Toll-free employer information line
- Internet access to account information

Find the perfect match for your needs

Payroll Deduction IRA

This is the only retirement plan with no set-up costs, no employer contributions and no employer-based administrative fees. These benefits allow business owners to provide a valuable employee benefit without expensive administrative costs. The plan allows employees to have a portion of their paycheck automatically deposited into an IRA. Employees can choose to invest in a Traditional IRA, a Roth IRA or a Coverdell Education Savings Plan Account.

Benefits

- No administrative fees or expenses will be billed to you because employees fund their IRA accounts through payroll deductions
- Easy to establish and maintain; no discrimination testing or government reporting
- All employees can participate
- IRA contributions can be used to complement any employer-sponsored retirement plans

SEP IRA

A Simplified Employee Pension (SEP) IRA is used primarily by self-employed individuals and small business owners who want a simple, easy-to-administer plan that allows annual discretionary tax-deductible contributions. SEPs are ideal for freelancers, independent contractors, part-time workers and individuals who earn any self-employment income from activities outside of their full-time jobs.

Benefits

- Annual contribution percentages may vary; annual contributions may be skipped
- Simple to establish and maintain; no government reporting
- Social Security integration permitted
- Can be established up to tax-filing due date, plus extensions

Social Security Integration

Retirement plans that are integrated with Social Security allow employees who earn more than the taxable wage base to receive a higher contribution percentage. If one of your goals is to maximize retirement plan benefits for key members of your staff, Social Security integration can be beneficial.

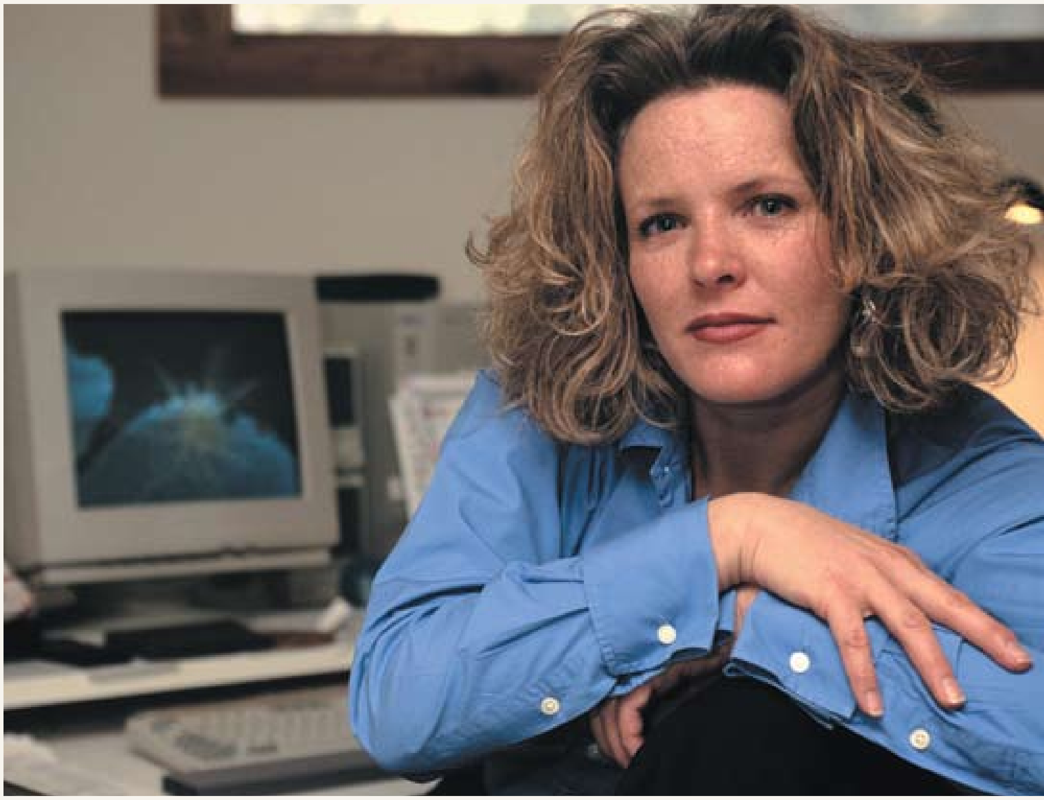
SIMPLE IRA

Prospects for SIMPLE IRAs are business owners with 100 or fewer workers who would like their employees to share responsibility for their own retirement savings, but who don't want the complexity, cost and administrative responsibility of a 401(k). Even people who are already covered by a retirement plan at their full-time job are eligible to contribute to a SIMPLE IRA, as long as they have self-employment income.

Since annual employer contributions are mandatory, potential sponsors should be in a position to make an ongoing financial commitment to the plan.

Benefits

- Easy to administer; no discrimination testing or government reporting is required
- Allows employees to make annual pretax, salary deferral contributions
- Additional "catch-up" contributions may be made by participants age 50 or older
- Employees can defer the maximum amount
- No minimum participation requirements
- Employer contributions are minimal — no more than 3 percent of compensation per employee maximum



401(k)

401(k) plans are designed for businesses electing to have employees share responsibility for retirement savings. With features such as availability of loans and hardship withdrawals, the 401(k) is one of the most flexible retirement plans available. As a result of these extra features, however, a 401(k) plan requires thorough administration.

Benefits

- Allows employees to make annual pretax, salary-deferral contributions
- Additional "catch-up" contributions may be made by participants age 50 and older
- Optional employer-matching contributions
- Loans and hardship withdrawals are available
- Vesting schedule is available
- Part-time and seasonal workers (fewer than 1000 hours)may be excluded because of eligibility requirements

Safe Harbor 401(k)

A Safe Harbor 401(k) plan is suitable for companies with highly-compensated employees who are limited in how much they can contribute to a 401(k) because non highly-compensated employees are not participating or contributing enough to the plan. Clients who like the features of a 401(k) but not its non-discrimination testing requirements may find a Safe Harbor 401(k) to be a viable alternative.

Benefits

- Highly-compensated employees can maximize contributions to the plan each year, even if lower-paid employees don't contribute much
- Non-discrimination testing is automatically satisfied for Safe Harbor through Safe Harbor contributions
- Employer contributions and employee deferrals are permitted
- Safe Harbor 401(k) offers the same benefits as the Traditional 401(k)

Profit-Sharing

A profit-sharing plan offers features of a SEP IRA with more control over a plan's eligibility and vesting. Profit-sharing plans are suitable for businesses with fluctuating earnings and with part-time employees and/or high employee turnover.

Benefits

- Annual contribution percentage may vary; contributions may even be skipped altogether
- Part-time and seasonal workers may be excluded because of eligibility requirements
- Social Security integration is permitted
- Loans and hardship withdrawals are permitted

Individual 401(k)

Self-employed individuals or one-person corporations may establish an Individual 401(k) plan. This plan first emerged in 2002 thanks to new tax laws that allowed larger tax-deductible contributions than other retirements plans.

Benefits

- Contributions are tax deductible and earnings grow tax deferred
- Contribution amounts may vary annually
- Easy to administer and maintain
- Loans and hardship withdrawals are permitted

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