

401(k) Retirement Plans

401(k) retirement plans are useful tools that can help you save for retirement. Learn about some of the features of 401(k) plans [here](#).

Wealth Solutions Group

Contact your Financial Advisor with questions.

A 401(k) plan is a flexible retirement plan that is funded through a combination of employee deferrals and employer contributions, offering:

- Higher contribution limits than a SIMPLE IRA
- Tax-deductible contributions for both the employee and employer
- Availability of loans
- Vesting schedule for employer contributions

IDEAL EMPLOYER PROFILE

Business owners:

- Who would like a well-known type of retirement plan to attract and retain employees
- Who want to offer a retirement benefit to employees and owners that allows for salary deferrals and the option to make employer contributions (match or profit sharing)
- Are willing to pay annual administration and reporting costs

ELIGIBILITY

- Plan sponsors must offer the plan to employees who are at least 21 years of age, have completed one (1) year of service for salary deferrals and two (2) years of service for employer contributions (with at least 1,000 hours of service each year). If a vesting schedule is desired for employer contributions, eligibility may not exceed one (1) year
- A plan can allow more lenient eligibility requirements

CONTRIBUTIONS¹

- Contributions can be made by both the employee and the employer.
- Employees may contribute 100% of compensation up to \$20,500. If an employee is over 50 years of age or turns 50 during the calendar year, they may elect to make an additional \$6,500 “catch up” contribution. Salary deferrals are immediately 100% vested.
- An employer contribution is made one of two ways:
 - A salary deferral match up to a percentage that the employer specifies (not to exceed 25% of compensation), or

- A Profit Sharing contribution of 0-25% of the employee's compensation. The overall limit combining salary deferrals and employer contributions is 100% of compensation up to \$61,000, or \$67,500 for individuals qualifying for catch-up contributions. Compensation is capped at \$305,000.

PLAN ADMINISTRATION

Annual plan testing and IRS Form 5500 filing is required. Owners and other highly compensated employees may be limited in the percentage they can defer based on the amount non-highly compensated employees are deferring. Baird can assist in locating a suitable plan administrator.

INVESTMENT FLEXIBILITY

A 401(k) Plan can offer a vast array of investment choices. Your Baird Financial Advisor can recommend a 401(k) provider that meets your needs.

¹The 2021 maximum tax-deductible profit sharing contribution is 25% of compensation, up to \$61,000; compensation is capped at \$305,000. Salary deferral contribution limit is the lesser of 100% of compensation or \$20,500. If the owner is age 50 or older, "catch-up" contributions of \$6,500 to a 401(k) plan are allowed for a total of \$27,000.