

New Comparability: Customize Your Employer 401k



For many employers, sponsoring a 401k is a way to help employees save for retirement. It is a program that can benefit both the employer and the employee. Adding an employer contribution, such as a profit sharing contribution, is a method that helps employers reward, retain, and recruit employees.

However, for many 401k plan sponsors, it can be irksome when all eligible employees receive the same proportionate profit sharing contribution. The ability to reward certain employees, or group of employees, over others can be a significant advantage in business planning.

**Every employee
does not need to
receive the same
percentage as
everyone else**

A New Comparability 401k Plan allows:

- Owner's & Executives to maximize their employer contributions
- Create different rates/ contributions for specific employees
- Exclusion of certain employees





In a new comparability plan, employers can allocate contributions in a way that favors certain groups of employees, such as highly compensated employees or key executives. This can be advantageous for employers who want to provide more generous retirement benefits to certain employees while still complying with IRS nondiscrimination rules.

A new comparability 401(k) plan, also known as a cross-tested plan, is a type of retirement savings plan offered by employers to their employees. This plan allows for different levels of contributions to be made for different groups of employees, typically based on factors such as age, salary, or job classification.

New comparability plans are complex and must adhere to strict IRS regulations to ensure that they do not unfairly favor highly compensated employees over other employees. Employers must conduct annual testing to ensure that the plan meets IRS nondiscrimination requirements.

Overall, new comparability 401(k) plans can offer flexibility and customization options for employers looking to design retirement plans that align with their business goals and benefit their workforce. However, they require careful planning and compliance with IRS regulations.



For more information or to make an appointment, please contact:

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