

## Why Start a 401(k) Plan For Your Company?



**A 401(k) Plan may be an important factor when hiring, or retaining, your employees.**

A 2019 study showed that over 60% of employees in the US had access to a 401(k) and/or Profit Sharing Plan through their employer. With over 80 million employees covered under these plans, for most it has become their primary source of retirement savings.

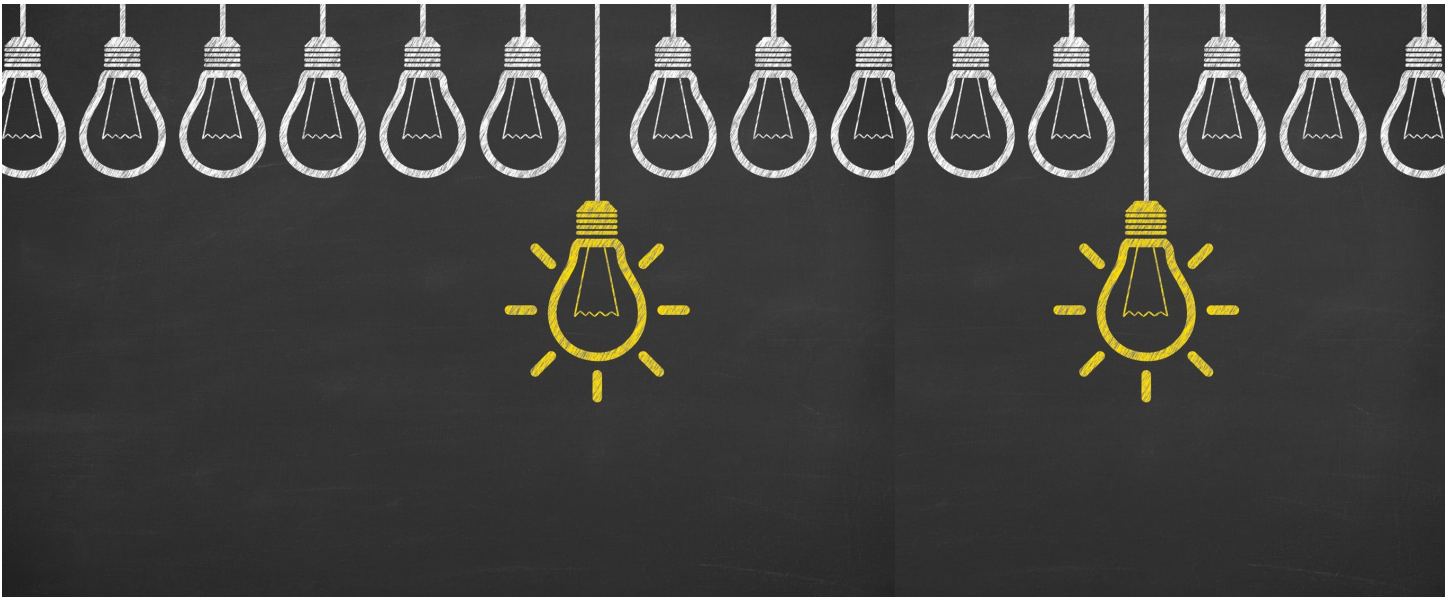
**A Qualified Retirement Plan may be an excellent way to save on corporate taxes.**

Employer Contributions to a retirement plan are tax deductible to the Plan Sponsor, and may provide an excellent way to accumulate pre-tax savings for business owners, over and above 401(k) limitations, bridging the savings gap that many business owners face.



**The IRS provides a Tax credit to small businesses when starting a retirement Plan.**

If you have not had a retirement plan in place in the prior 3 years, the IRS may provide you a tax credit up to 50% of your expenses for establishing and maintaining a plan for the next 3 years (certain limitations do apply).



**WHY CONTRIBUTE TO A 401(K) PLAN INSTEAD OF AN IRA OR SAVINGS ACCOUNT?**

The maximum IRA contributions for 2023 are \$6,500 annually (\$7,500 for employees over the age of 50) while the maximum 401(k) contribution is \$22,500 (\$30,000 for those age 50 or older). In addition, a participant will *NOT* pay Federal or State Income Taxes on any pre-tax salary deferral contributions, the firm contributions or the investment earnings generated by those contributions until funds are withdrawn. This results in reduced taxable income by the amount contributed from a participant’s paycheck into the plan

**EXAMPLE:**

	PLAN	NO PLAN
Annual Pay	\$20,000	\$20,000
401(k) Plan Pre-tax Savings	1,500	-0-
Taxable Income	\$18,500	\$20,000
Federal Income Tax	2,776	3,001
Social Security Tax	1,530	1,530
CT State Income Tax	833	900
After-tax Savings (Not in Plan)	-0-	1,500
Take Home Pay	\$13,361	\$13,069

**NET RESULTS OF PLAN PARTICIPATION:                      Saved \$292 in taxes**

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