



Why Should I Consider Offering a Company Retirement Plan?

Most employers are constantly evaluating their employee benefits. Many of them have asked these questions, *“What does the government require me to offer?”*, *“Are the benefits that we offer being used by our employees?”*, *“Is there a more cost-effective option?”*

One of the employee benefits that you don’t want to overlook is a company-sponsored retirement plan. Your employees are at risk if they aren’t planning for their future. Saving money is not easy, but it’s essential to achieving financial well-being.

Many smaller companies believe that offering a retirement plan is too expensive, risky, or confusing to be worth the perceived bother. It’s easy for small employers to worry they do not have the stability or resources to set up and maintain a retirement plan.

With so many people concerned with the uncertain future of Social Security and the continued elimination of company pension plans, it’s alarming how few small businesses offer their employees a retirement plan. The Government Accountability Office estimates that only 14% of employers with fewer than 100 workers sponsor a retirement savings vehicle.¹

In some ways, it’s understandable: Most small-business owners just aren’t retirement experts. Their time is consumed with growing their business and reinvesting their money back into the company. When asked why they don’t offer a retirement plan, many business owners cite apprehension about the cost, administrative burden, and availability of plans for their small size.

But what the majority don’t know is that these beliefs they have are very common misconceptions. Today, small businesses of any size can easily establish a retirement plan that is inexpensive, quick and simple to implement, requires little time to administer, and makes a firm stronger and more competitive.

Here are five good reasons why we urge every small-business owner to offer a workplace retirement savings plan:

- 1. A retirement plan is much more affordable than you think.** There are a number of excellent plans that cost less than your annual phone bill. Existing tax legislation also reduces the cost of starting a company retirement plan, including:
 - a. A tax credit that offsets 50% of the costs to establish a 401(k) plan, up to \$500 annually for each of the plan’s first 3 years², and
 - b. Employer contributions are deductible on the employer’s federal income tax return³.
- 2. It strengthens your business by attracting and retaining high-quality employees.** With employees’ assuming more and more of the responsibility to save for their retirement, offering a retirement benefit is a powerful incentive that can help you retain and attract current and prospective employees. It not only shows that you care about your people, but it can make your company even more competitive in its industry. Employees who are happy with their benefits are going to be happier workers. And consider this: If you offer a job to someone but don’t have a retirement plan and the prospective employee has a similar offer from a

company that does offer a retirement plan, it's fairly obvious which job the candidate will choose. A higher employee retention rate also means you'll spend less time and money on recruiting new employees.

3. **The administrative burden can be minimal.** In addition to price concerns, many small-business owners express reservations about their fiduciary responsibilities and plan administration. They're concerned that they don't have the time or know-how to understand their retirement plan options. But today's small-business retirement plans may streamline or even eliminate many of the processes that used to be complex. With a quality provider and financial advisor, entrepreneurs may discover their daily plan administration efforts require only a minimal commitment of time.

4. **Most small-business retirement plans are web-based, which helps eliminate paperwork while offering 24/7 access to account management.** Employees can manage their enrollment and account on a 24/7 basis, freeing business owners from many of the time-consuming demands of plan administration and paperwork. Most providers also have retirement professionals on call seven days a week to support you and your plan participants every step of the way.

5. **It can help secure your own retirement.** Too many small-business owners shortchange their personal retirement security. Often, those who don't offer a retirement plan have no other means of lifetime income. That's why it makes sense to establish a workplace retirement plan now, no matter how long you've been in business. A tax-deferred retirement plan is a sound platform to manage and pursue a financially secure retirement for you and your staff. It may also be portable, meaning you can roll it over if you decide to retire or start another company.

1 May 22, 2017, <https://www.forusall.com/401k-blog/small-businesses-big-things-u-s-economy/>

2 October 9, 2018, <https://www.irs.gov/retirement-plans/retirement-plans-startup-costs-tax-credit>

3 October 9, 2018, <https://www.irs.gov/retirement-plans/plan-sponsor/401k-plan-overview>


Contact one of our Advisors to explore your options in offering a Company Sponsored Retirement Plan.

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