5 Reasons To Switch From A Simple IRA To A 401K Today

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Simple IRAs are a great tool for small businesses to provide retirement benefits for themselves and their employees, with few complexities. However by opting for a simplified retirement plan, employers forgo flexibility and may end up leaving money on the table. There is often the misconception that a 401(k) plan is unaffordable for a small business. However, businesses will often find that a small increase in administrative fees is more than offset by the benefits, and consequential savings, that a 401(k) can provide.

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Benefits Of Switching To A 401(k)

1. Recruit and Maintain Talent

- a. Remain competitive with large employers
- b. Vary benefits to reward valued employees including yourself
- c. Vesting period may increase employee retention
- d. May offer additional benefits after a specified vesting period

2. More Investment Opportunities

- a. Many investment providers
- b. Investment providers educate employees on their options
- c. Lower cost options available
- d. Allows for Roth 401(k) deferrals
- e. May offer loans from accounts

3. Maintain Other Plans (if you wish)

- a. Allows greater flexibility in benefit allocation
- b. May be used to maximize tax deferred income

4. Save More for Retirement

- a. Higher contribution limits ($18,000 v. $12,500 as of 2016/2017)
- b. Allows for larger catch up contributions (additional $6,000 if over 50 compared to $3,000)

5. Maximize Tax Savings

- a. New 401(k) plans may be eligible for a federal tax credit up to $500 per year for the first three years
- b. Employer contributions (up to $54,000 per employee as of 2017) are tax deductible

401(k) plans may not be the right choice for every employer. So consider your goals and consult a professional. However, if you are looking to maximize your tax savings and save more for retirement, then a 401(k) may be for you.

Still Have Questions?

Contact an Odyssey consultant at **(855) 401- GAIN** to learn more.