



Age-Weighted Plans

Plan Year 2008

Age-weighted profit sharing plans resemble traditional profit sharing plans with one important exception: the way the employer contribution is allocated to each participant's account.

Traditional profit sharing plans usually allocate the employer contribution in proportion to compensation. Age-weighted plans use compensation and the participant's age when allocating the contribution. This formula results in a significantly larger allocation of the contribution to employees who are closer to retirement age. Age-weighted profit sharing plans combine the flexibility of a profit sharing plan with the ability of a pension plan to skew benefits in favor of older employees.

The "Economic Growth and Tax Reconciliation Act of 2001", signed into law on June 7, 2001, will have a substantial effect on qualified plans. Listed below is information provided for the 2004 plan year, using the limits put into place by the new tax law.

The 2001 law provided a higher compensation level and higher contribution percentage (25% of compensation rather than 15%). In this example, we have used a contribution of \$56,477, which is the amount needed in order for Joe to receive a \$44,000 contribution in an Age-Weighted Plan. Note the difference in the amount Joe receives in the Age-Weighted Plan versus Traditional Profit Sharing Plan and Profit Sharing Integrated with Social Security.

Plan Comparative Analysis – 2008 Year

Name	Age	Income	Traditional	Integrated	Age Weighted	New Comp	SEP
Officer/Shareholder # 1	50	\$230,000.00	\$46,000.00	\$46,000.00	\$46,000.00	\$46,000.00	\$46,000.00
Officer/Shareholder # 1	57	\$230,000.00	\$46,000.00	\$46,000.00	\$46,000.00	\$46,000.00	\$46,000.00
Group A		\$460,000.00	\$92,000.00	\$92,000.00	\$92,000.00	\$92,000.00	\$92,000.00
Manager	49	\$75,000.00	\$16,517.00	\$15,155.25	\$14,886.12	\$9,886.44	\$16,517.00
Group B		\$75,000.00	\$16,517.00	\$15,155.25	\$14,886.12	\$9,886.44	\$16,517.00

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Staff # 1	43	\$18,000.00	\$3,964.08	\$3,637.26	\$2,189.85	\$900.00	\$3,964.08
Staff # 2	33	\$25,000.00	\$5,505.67	\$5,051.75	\$1,345.19	\$1,250.00	\$5,505.67
Staff # 3	28	\$23,000.00	\$5,065.21	\$4,647.61	\$823.05	\$1,150.00	\$5,065.21
Staff # 4	39	\$30,000.00	\$6,606.80	\$6,062.10	\$2,633.57	\$1,500.00	\$6,606.80
Staff # 5	39	\$40,000.00	\$8,809.07	\$8,082.80	\$3,511.42	\$2,000.00	\$8,809.07
Staff # 6	48	\$35,000.00	\$7,707.93	\$7,072.45	\$6,402.63	\$1,750.00	\$7,707.93
Group D		\$171,000.00	\$37,658.75	\$34,553.97	\$16,905.71	\$8,550.00	\$37,658.75
Total		\$706,000.00	\$146,175.75	\$141,709.22	\$123,791.83	\$110,436.44	\$146,175.75
Group A %		65.16%	62.94%	64.92%	74.32%	83.31%	62.94%
Group B %		10.62%	11.30%	10.69%	12.03%	8.95%	11.30%
Group D %		24.22%	25.76%	24.38%	13.66%	7.74%	25.76%