

# California Restaurant Association: Introduction to Paychex Retirement Services

**PAYCHEX**

HR | Payroll | Benefits | Insurance



# Legal Disclaimer

The information in these materials and those provided by the presenter should not be considered legal or accounting advice, and it should not substitute for legal, accounting, and other professional advice where the facts and circumstances warrant. It is provided for informational purposes only.

We encourage you to consult with legal counsel concerning your own situations, or for any specific legal questions you may have.

# Why consider a 401(k) plan?

Top reasons:

- 1 **Attract and retain quality employees**
- 2 **Individual and business tax savings**
- 3 **Help employees (including yourself) save for tomorrow**
- 4 **New Legislation/Laws**
  - State Mandates
  - The SECURE Act/SECURE 2.0



# How Does a 401(k) Help You Attract & Retain Employees?

94%

of employees are interested in a 401(k) plan, second only to health insurance\*

4 in 5

More than four in five workers (84 percent) agree that the next time they look for a job, all things being equal, the retirement benefits offered by the prospective employer will be a major factor in their final decision to accept an offer or not\*\*

76%

of employees say it is important employers help support their financial health\*

\* 2020 Small Business Employee Study December 2020; A joint study conducted by ClearlyRated and Paychex

\*\* Non-Profit Transamerica Center for Retirement Studies; 21st Annual Transamerica Retirement Survey of Workers; August 2021 – Usage Rights on File

# Can You Afford to Lose Employees to Companies with a 401(k)?

Examples of how turnover impacts a business' profitability\*:

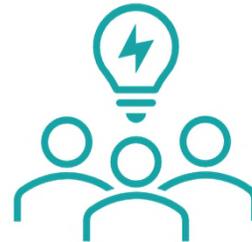
Hiring expenses



Productivity



Employee  
Morale



Training  
Discrepancies



\*The Real Turnover Cost of Losing an Employee (And Ways To Retain More Talent) | Indeed.com; Usage Rights on File



# You and Your Business Could Benefit from Tax Savings, Too

- A new law increased retirement plan tax incentives
  - A new 401(k) plan may be virtually free for 3 years for eligible businesses\*
- In many cases, the personal tax savings from the 401(k) for the owner(s) exceeds the admin cost of the plan or the cost of the match
- It's a more tax efficient way to pay employees more. Match and profit sharing are considered “other compensation” free of payroll taxes and workers comp with some variation by state
- You may be eligible to deduct 401(k) administrative expenses and contributions on business taxes

# Legislative Updates



Over ***one-half*** of U.S. States have enacted or proposed legislation for state retirement savings programs.

## Why?

- Across America, we are experiencing a retirement crisis.
- Millions of Americans have no retirement savings, and many don't have access to a retirement plan through their employer.
- Many Americans expect to fund their retirement through Social Security. However, according to the Social Security Administration, these funds may be depleted in 2034.

[\\*tr22summary.pdf \(ssa.gov\)](#)

# How does this impact you?

Most states have “mandatory” programs, although a few are “voluntary”.

If you are included in the “mandatory” group, you are required to participate in the state program or sponsor your own retirement plan.

- Most states implement their programs in phases based on employee count.
- Non-compliant employers may incur state penalties.

**Option:** you can also be compliant by implementing an employer-sponsored plan, e.g. a 401(k).



# How does this impact you?

If you are in a state with **proposed** legislation:

You are not required to act yet, but you may want to consider taking the time-consuming task of following ever-changing legislation off your plate.

**Options: Implement an employer-sponsored retirement plan (ex: 401(k)) now to:**

1. Be ahead of the legislative mandate.
2. Gain a competitive advantage in the labor market with an enhanced retirement plan vs. state-facilitated offerings.
3. Leverage the benefits you are entitled to as soon as possible.
4. Grow your own savings with higher contribution limits.





# What is a state-facilitated program?

While every state is different, most state retirement savings programs:

- Are usually designed as Roth individual retirement accounts (IRAs)
- May require employers to automatically enroll employees\*
- May be mandated for businesses of a certain size
- Allow workers to opt out of contributing via payroll deduction
- Use investment firms and investments chosen by the state
- Generally require employers to do administrative work

# What is the difference between a state retirement savings program and a 401(k) plan?

## State programs:

- **Have lower IRA limits** on employee contributions.
  - Contributions are typically Roth.
  - High-wage earners may not be eligible to contribute.
- Companies aren't allowed to make employer contributions.
- The employer is also typically responsible for a large amount of administrative work and remitting employee contributions.



# What is the difference between a state retirement savings program and a 401(k) plan?

## 401(k) plans:

- **Have higher contribution limits** than state-facilitated programs — contributions may be pre-tax or Roth
- Allow employers to make profit-sharing or matching contributions at their discretion
- Satisfy state retirement law requirements
- Offer eligible employers potential tax credits
- Are a competitive advantage in the labor market to attract and retain employees



# Let's Take a Closer Look

	State — IRA	401(k) (Administered by Paychex)
<b>Contribution max (2023)</b>	\$6,500	\$22,500
<b>Company contribution option</b>	No	Yes, at employer's discretion
<b>Tax credits for opening new plan</b>	No	Up to \$5,500 per year for the first 3 years <sup>1</sup> and a contribution credit of up to \$1,000 for 5 years, per employee <sup>2</sup>
<b>Employer tasks</b>	Employer processes payroll contributions, updates contribution rates, adds newly eligible, etc.*	Paychex is your recordkeeper

With a state-run IRA, **you are responsible** for administration and processing.\*

With a qualified 401(k) plan administered by **Paychex, we take care of it for you.**

<sup>1</sup>Setting Every Community Up for Retirement Act of 2019. New plans may be eligible for up to \$5,000 a year over three years and an auto-enrollment credit of \$500 a year over three years, for a total tax credit of up to \$16,500

<sup>2</sup>SECURE Act 2.0. The contribution credit is generally a percentage of the amount contributed by the employer, up to \$1,000/employee. This additional credit is limited to employers with 50 or fewer employees and reduced for employers w/ between 51 and 100 employees

# With a new 401(k) plan, you could qualify for tax credits and your employees win too

## The SECURE Act & SECURE 2.0

provide advantages for qualified employers who offer a retirement plan and employees who participate in that plan.



## Key employer benefits\*

- A set up tax credit for establishing new retirement plans is \$5,000 maximum/year for the first 3 years.
- An additional \$500 credit/year for the first 3 years for business owners when they implement automatic plan enrollment.
- For businesses who choose to match a portion of their employee's contributions or provide a profit-sharing contribution, a new tax credit of up to \$1,000 per employee, per year is available over 5 years

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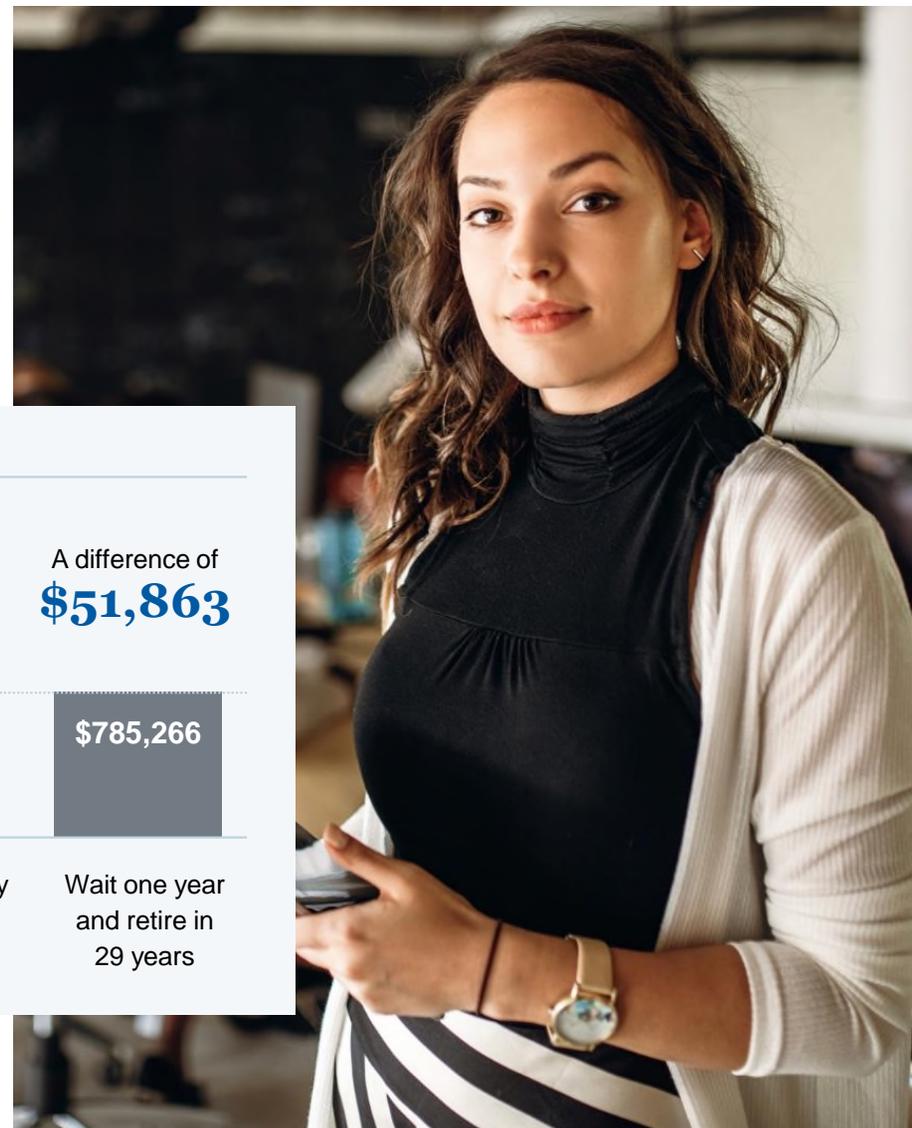
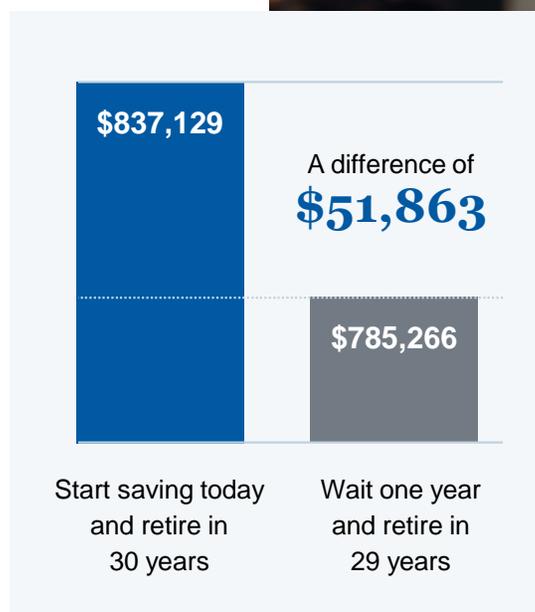
## Key employee benefits\*

- Part-time employees who work at least 500 hours per year over 3 consecutive years may participate in an employer's retirement plan. In 2025, the 3 years will be reduced to two.
- May allow employees to receive available matching contributions when they repay their student loans starting in 2024.
- The age at which required minimum distributions (RMD) must begin has increased by 1 year. Plan participants can wait until age 73 to take their RMD.

# Waiting to implement a retirement plan can cost you.

Let's take a hypothetical example of Bonnie:

- 35-year-old business owner in Tennessee
- Has not started to save for her retirement — plans to retire at age 65
- She decided to wait — her salary deferrals and company match would have amounted to \$12,000



*\*Assumes a 5% annual return. There is no guarantee that this rate of return will be achieved.*

# 401(k) Plans — Exploring the Options



**The Pooled Employer 401(k) has flexible plan options:**

- Payroll integration
- Auto-enrollment
- Safe harbor
- Roth

Your 401(k) Options With Paychex

# The Pooled Employer 401(k) Plan

Paychex is an **industry leader** in Pooled Employer 401(k) plans.

**A simple but powerful idea:** employers can collectively participate in a 401(k) plan that is professionally administered by a Pooled Plan Provider (P3), such as Paychex.

This is a great solution for businesses that:

- Need to be compliant with state legislation
- Want to offer more than what the state-facilitated program brings to the table



Your 401(k) Options With Paychex

# The Pooled Employer 401(k) Plan

## Benefits of a Paychex Pooled Employer 401(k) Plan (PEP)

Most of the benefits of a 401(k) plan, **PLUS:**

- Reduced administrative tasks
- Reduced fiduciary liability
- Simplified plan management
- Potential reduced administration costs
- Plan trustee services
- Potential tax credits under the SECURE Act & SECURE 2.0\*
- And more!

# Which one is right for you?

	Pooled Employer Plan – Less Work and Lower Cost	Traditional 401(k)— More Control
<b>Cost</b>	Potential reduced administration fees. Economies of scale.	Potentially higher administration costs than a PEP.
<b>Set-up</b>	The P3 significantly reduces plan set-up responsibilities, including contracting with vendors and the investment manager.	As plan sponsor, the employer is involved in set-up such as plan design, choosing investments and coordinating with vendors.
<b>Plan Sponsor</b>	The P3 is the Plan Sponsor and named fiduciary of the Plan.	Employer is the Plan Sponsor and named fiduciary of the Plan.
<b>Annual Form 5500 Audits</b>	The P3 assumes responsibility for audits, potentially saving employers \$10,000-\$20,000.	The employer of a large plan must oversee and pay for costly audits.
<b>Tax Credits</b>	May be eligible for up to \$16,500 in tax credits over 3 years for new plans <sup>1</sup> and a contribution credit of up to \$1,000 for 5 years, per employee <sup>2</sup>	May be eligible for up to \$16,500 in tax credits over 3 years for new plans <sup>1</sup> and a contribution credit of up to \$1,000 for 5 years, per employee <sup>2</sup>

<sup>1</sup>Setting Every Community Up for Retirement Act of 2019. New plans may be eligible for up to \$5,000 a year over three years and an auto-enrollment credit of \$500 a year over three years, for a total tax credit of up to \$16,500

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# Strategic Alliance Affiliate - *Driving Value for You!*

## CRA Members Special Pricing:

- 20% discount on payroll processing
- 20% discount on Retirement Administrative Fees and HRS setup fees

**For more information please contact:**  
844-846-7824 (mention code 5598)  
Email: [cra@paychex.com](mailto:cra@paychex.com)  
[Paychex help request form](#)



**Focus on Your Business and Leave Payroll and HR to Us.**

If payroll and HR administration tasks present time-consuming challenges that keep you from focusing on growing your business, Paychex can help. Paychex Flex®, our all-in-one HR solution, helps simplify the process and helps you to effectively manage workers across the entire employee lifecycle.

<b>Payroll Processing</b>	<b>HR Administration</b>
<ul style="list-style-type: none"><li>• Payroll tax administration - taxes calculated, deposited, and filed. Plus, our tax services can help find your tax credits</li><li>• Free mobile app - submit payroll on the go</li><li>• Payment options - direct deposits, paycards</li><li>• Dedicated payroll specialist - single point of contact</li><li>• General Ledger service - link payroll to popular accounting software</li><li>• Payroll services can be bundled with other CRA offerings including workers compensation and health insurance</li></ul>	<ul style="list-style-type: none"><li>• Recruiting and hiring - our partnership with Indeed, the nation's No. 1 job site, helps expand your search for quality candidates</li><li>• Employee handbooks - help communicate policies across your organization, including OSHA requirements</li><li>• Benefit administration - A professional employer organization (PEO) helps manage rising benefit costs and regulations</li></ul>

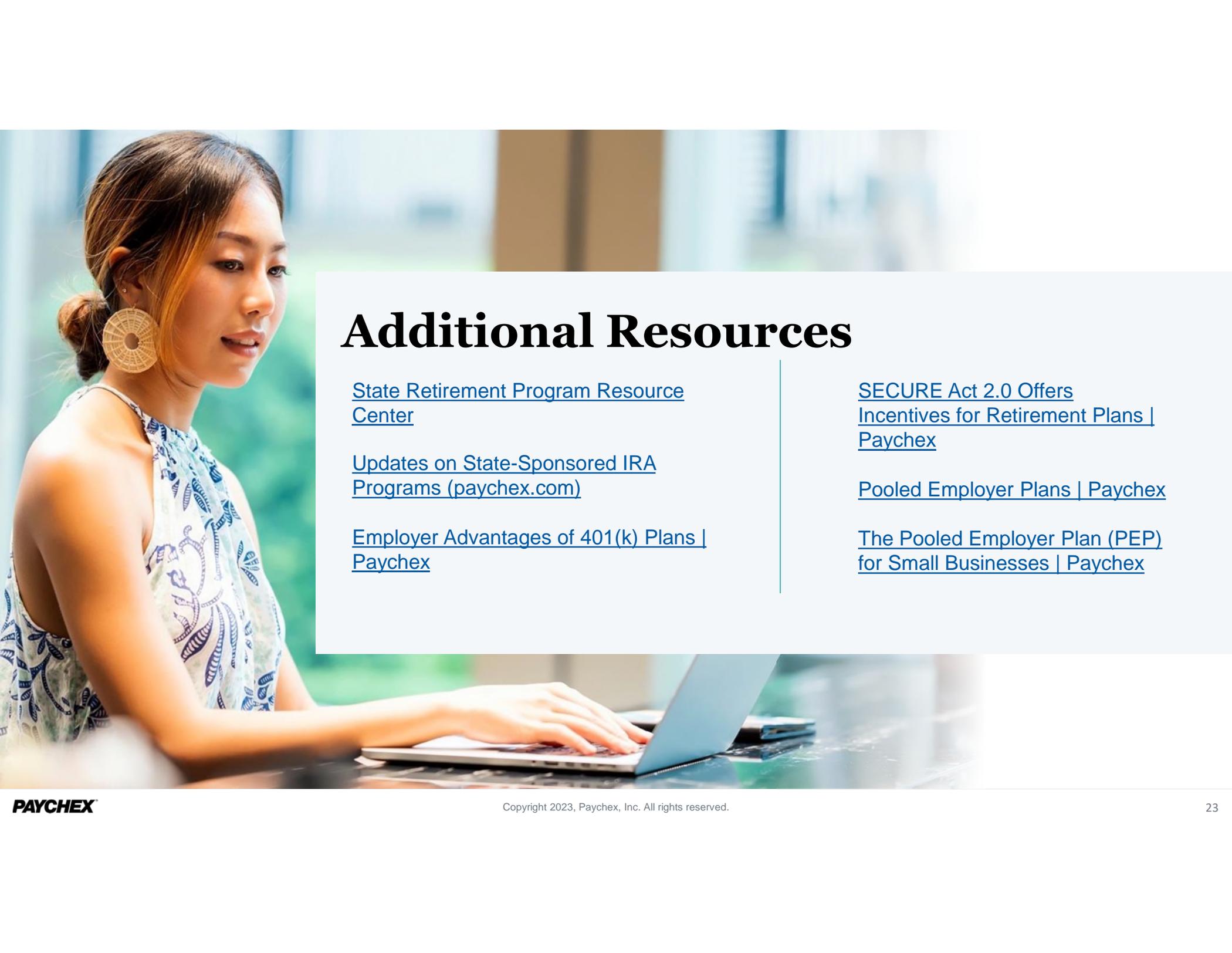
Special Member Pricing Available



**How Can We Help? Contact Us Today.**  
855-433-8719  
[payx.me/cra](http://payx.me/cra)  
[cra@paychex.com](mailto:cra@paychex.com)



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# Additional Resources

[State Retirement Program Resource Center](#)

[Updates on State-Sponsored IRA Programs \(paychex.com\)](#)

[Employer Advantages of 401\(k\) Plans | Paychex](#)

[SECURE Act 2.0 Offers Incentives for Retirement Plans | Paychex](#)

[Pooled Employer Plans | Paychex](#)

[The Pooled Employer Plan \(PEP\) for Small Businesses | Paychex](#)



# Q&A





# Do you still have questions? The Paychex team is here to help!

**844-846-7824 (mention code 5598)**

**[cra@paychex.com](mailto:cra@paychex.com)**

**[Paychex help request form](#)**