

IRA and Retirement Plan Quickfinder Handbook 2015

Tab 10—Choosing a Small Business Plan

Selecting a Plan

SELECTING A PLAN

There is no single method for selecting the right employer retirement plan since many factors can come into play. However, it is important that the employer first determine its goals for establishing the plan. Goals may range from simply providing employees a vehicle for retirement savings to maximizing contributions for highly compensated or key employees. The *Plans That Meet Common Employer Goals* table below outlines common goals and the plans that typically meet those particular goals.

Four Key Questions

Another approach to selecting a plan is to focus on four key questions that gather more specific information about the employer's goals and objectives.

- 1) Is the employer willing to accept a mandatory funding requirement of at least 3% of covered payroll?
- 2) How much does the employer want to contribute to the plan on a consistent basis?
- 3) Which employees are targeted to benefit the most in the plan?
- 4) What is the employer's tolerance of administration and set-up costs?

Answering these questions will help employers identify suitable plan options while eliminating others. See the *Flowchart for Plan Selection* beginning for plans to consider based on the answers to these questions.