

New Comparability Plan: A New Paradigm in Retirement Planning for Small-Business Owners

by Keith R. Fevurly, CFP®, J.D., LL.M.

Executive Summary

- A profitable, closely held small-business owner not only may want to implement a qualified retirement plan for the business, but also contribute additional money on a pre-tax basis beyond the current annual elective deferral limits. And the owner may simultaneously want to minimize contributions to lower-paid employees. One answer is the new comparability plan.
- This plan is a form of cross-tested defined-contribution retirement plan that typically takes the form of a discretionary profit-sharing plan. The Treasury Department issued final regulations in 2001, but the plan is still not widely understood and is often confused with its close cousin, the age-weighted profit-sharing plan.
- The common design factor underlying the plan is an allocation or contribution formula that rewards highly compensated employees more favorably than lower-compensated employees, regardless of age or years of service. This type of plan will successfully pass the nondiscrimination rules applicable to all tax-qualified plans as long as it satisfies one of two minimum "gateway" requirements, or provides a "broadly available" allocation rate to all employees or a "gradual age or service schedule" option.
- The plan works especially well where the owners of a small business are of different ages, but earn approximately the same amount of compensation, thus precluding an age-based plan. The new comparability plan is more flexible and can allocate more to the owner/employee than an age-weighted plan. The plan also works well as a supplement to an existing 401(k) plan already established for the benefit of the small-business owner(s) and the owner's employees, something the age-weighted plan can't do.

Keith R. Fevurly, CFP®, J.D., LL.M., of Centennial, Colorado, is a content developer and instructor with Kaplan Financial. He has developed CFP educational programs for Kaplan University and the College for Financial Planning, serving in administrative roles for both institutions.

A common concern of profitable, closely held small-business owners is how to minimize taxes and, as a favorable byproduct, increase the cash flow of the business. To address this concern, a financial planner should suggest the implementation of a qualified retirement plan for the business. Given its flexibility and use as a potential savings vehicle for the owners and employees of the business, the very popular 401(k) retirement plan is often the first plan considered. But what about the business owner who wants, as is typically the case, to contribute even more money on a pre-tax basis to the 401(k) plan (beyond the current annual elective deferral limits) on his or her own behalf? A possible solution to this owner's concerns is to recommend a form of cross-tested profit-sharing plan, commonly referred to as a "new comparability plan."

The new comparability plan has been around for some time. The final Treasury regulations¹ where the Internal Revenue Service finally relented in its efforts to kill the plan because of its concern that the plan was not compatible with the intent of the nondiscrimination rules² were issued in late 2001. But the plan is still not widely understood. Indeed, some financial planners confuse a new comparability plan with its close cross-tested cousin, the age-weighted profit-sharing plan. While both a new comparability plan and age-weighted plan may increase the business owner's contributions to a traditional profit-sharing plan, only the new comparability plan may supplement an existing 401(k) plan. As a result, the financial planner's familiarity with the new comparability plan is more important than ever as he or she advises a closely held business owner.

What Is a New Comparability Plan?

A new comparability plan is usually a profit-sharing retirement plan in which the employees are divided into

groups or classes. Each group or class receives an employer contribution that represents a different percentage of compensation. The plan works particularly well where the owners of a business (each of whom is almost always found to be a "highly compensated employee" for purposes of the qualified retirement plan nondiscrimination rules) are different ages, thus precluding the adoption of an age-weighted type of profit-sharing plan. The comparability plan may define the groups of employees in a number of ways, although the most common definition is a combination of service with the employer and the compensation level of the employee. Since the plan is a form of "cross-tested" arrangement, according to the IRS and Department of Labor, it may be tested for nondiscrimination on the basis of benefits rather than contributions, thus permitting considerable flexibility in plan design.

Allocations among employees are restricted in such a way that the employer must design the contribution structure to pass the general nondiscrimination rules of Internal Revenue Code (IRC) Section 401(a)(4). Section 401(a)(4) provides that a plan or trust forming part of a stock bonus, pension, or profit-sharing plan shall not constitute a qualified plan for income tax purposes unless the contributions or benefits provided under the plan do not discriminate in favor of "highly compensated employees" (as separately provided for in IRC Section 414 (q)). In 2007, a "highly compensated employee" is any employee who

1. During the current or preceding year, owns more than 5 percent of the employer or
2. For the preceding year, had compensation greater than \$100,000 (indexed from a base amount of \$80,000)

In addition, under Section 414 (q)(1)(B)(ii), the employer is permitted to make an election to consider as highly compensated employees only those employees who rank in the top 20 percent of compensation, regardless of the employee's level of compensation exceeding the \$100,000 threshold.

In the event that the new comparability plan *fails* the nondiscrimination rules as originally structured, the plan should have provisions to reallocate or shift employer contributions from the highly compensated employees to the non-highly compensated employees. As such, these reallocation provisions must be precise in that the allocation formula must be "definitely determinable" and preclude employer contribution discretion, one of the traditional hallmarks of any profit-sharing plan. The reallocation formula should also be designed to increase contribution rates for the non-highly compensated employees on an individual basis until the nondiscrimination test is satisfied.

Basic Design Provisions

In the prototypical new comparability plan, highly compensated employees (including the business owners) receive high employer contribution allocation rates, while non-highly compensated employees, regardless of their age or years of service with the employer, are awarded comparatively low allocation rates. For example, highly compensated employees in such a plan might receive allocations of as much as 18–20 percent of compensation, while non-highly compensated employees might receive allocations of only 3 percent of compensation. The new comparability plan then relies on the cross-testing method to demonstrate compliance with the nondiscrimination rules by comparing the actuarially projected value of the smaller employer contributions for the younger non-highly compensated employees with the actuarial projections of the larger contributions for the older highly compensated employees. The discrimination testing is done by analyzing the projected *benefits* at retirement for a given participant, as contrasted to the traditional plan approach of analyzing the *contributions* allocated to a participant's account each year. The projected benefits of the highly compensated employees are then averaged and compared with the average projected benefits of all employees. If this comparison of benefits is found to be within a previously approved range (as specified in the Treasury regulations), the new comparability plan will qualify as a nondiscriminatory plan within the parameters of Section 401(a)(4). (For more detail on new comparability plans, see the Web sites listed in the accompanying sidebar.)

Let's compare a possible initial allocation of new comparability plan contributions with that of a traditional 10 percent profit-sharing plan using the maximum 2007 covered compensation limit of \$225,000 per employee (see

Table 1).

Table 1: Comparison of New Comparability Plan Contributions and 10% Profit-Sharing Plan						
	Age	Salary	P/S Allocation	% of Salary	NCP Allocation	% of Salary
Owner/Employee	55	\$225,000	\$22,500	10%	\$45,000	20%
Employee A	35	\$ 50,000	\$ 5,000	10%	\$ 2,500	5%
Employee B	33	\$ 45,000	\$ 4,500	10%	\$ 2,250	5%
Employee C	54	\$ 60,000	\$ 6,000	10%	\$ 3,000	5%
Employee D	41	\$ 35,000	\$ 3,500	10%	\$ 1,750	5%
Employee E	43	<u>\$ 36,000</u>	<u>\$ 3,600</u>	10%	<u>\$ 1,800</u>	5%
		\$451,000	\$45,100		\$56,300	
Owner's % Share			50%		80%	

Note that the percentage of salary allocated to all employees in this example was 5 percent rather than the previously stated 3 percent. This is because the new comparability plan in the example became "top heavy" (or one where at least 60 percent of the accrued benefits are allocated on behalf of the owner/key employee). To satisfy the nondiscrimination rules that apply under the Treasury regulations, the new comparability plan must now provide for an additional 2 percent contribution for all eligible employees who are employed on the last day of the plan year. To guard against this contingency, and because most small-business profit-sharing plans will be found to be top heavy in the first several years of plan operation, most new comparability plans structurally provide for a 5 percent contribution for all non-owner employees. This is also necessary to satisfy the 5 percent minimum cross-testing gateway specified in the Treasury regulations governing the implementation and operation of cross-tested plans.

Under the final Treasury regulations for plan years beginning on or after January 1, 2002 (regardless of when the plan design was actually adopted), a new comparability plan will satisfy the nondiscrimination rules if the plan design satisfies one of two minimum "gateways." The first of these gateways stipulates that if each eligible non-highly compensated employee receives an allocation rate of at least 5 percent of compensation (as separately defined in Section 415(c)(3)), it will satisfy the nondiscrimination rules through cross-testing. But an individual who does not otherwise benefit under the plan for the plan year is not considered to be an employee for purposes of the rule and, thus, is not a non-highly compensated employee. As a result, a non-participating non-highly compensated employee need not be provided with the 5 percent minimum required allocation.

Alternatively, a new comparability plan may provide a minimum allocation rate of less than 5 percent, provided that the minimum allocation rate is not less than one-third of the highest allocation rate under the plan. For example, if the top allocation rate in the above example were 12 percent (instead of the 20 percent as shown), the minimum allocation rate for non-highly compensated employees would then have to be only 4 percent. Like the 5 percent minimum contribution gateway, a new comparability plan that satisfies this alternative minimum contribution gateway could also be cross-tested. Further, the final Treasury regulations provide that elective deferrals do not count in determining allocation rates to be cross-tested. As a result, if the new comparability plan is combined with a 401(k) plan (as is frequently the case), and highly compensated employees defer under the 401(k) plan, the highest allocation rate for highly compensated employees may be *lower* than otherwise possible. This in turn will *reduce* the minimum required allocation for non-highly compensated employees. This planning advantage is very important when the new comparability plan is used as a supplement to an existing 401(k) plan to increase contributions to the plan on behalf of highly compensated employees.

Alternatives to Gateways

What is the required plan design for a new comparability plan that fails to meet either the minimum contribution gateway (the 5 percent minimum required non-highly compensated employee allocation) or the alternative minimum contribution gateway (the not-less-than-one-third test)? In this event, the final Treasury regulations specify that a new comparability plan will not have to satisfy these gateways if its allocation rates are

1. Considered to be "broadly available" to a group of employees that satisfy the current Section 410(b) coverage rules or
2. Provided pursuant to a "gradual age or service schedule," as explained below.

Specifically, regarding the first of these non-minimum gateway tests, the Treasury regulations mandate that the "broadly available" allocation must be done only on the basis of the "ratio percentage test" of Section 410(b). This means that the new comparability plan must cover a percentage of all eligible non-highly compensated employees (NHCEs) that is at least 70 percent of the percentage of highly compensated employees (HCEs) who are covered. In formula terms, this may be written as

$$\frac{\% \text{ of NHCEs covered}}{\% \text{ of HCEs covered}} \geq 70\%$$

Example 1

Acme Industries employs 200 non-excludible or eligible employees (meaning that all of these employees satisfy the qualified plan eligibility tests of having attained at least the age of 21 and performing at least one year of employee service with Acme). Acme also currently maintains a 401(k) retirement plan. There are 20 highly compensated employees working at Acme in the current year, of which 18 currently benefit from Acme's 401(k) plan. Of the remaining 180 non-highly compensated employees, 120 also benefit from the plan. Accordingly, when applying the above ratio percentage formula, we find that a ratio of approximately 74 percent of non-highly compensated employees benefit from the plan in comparison with the highly compensated employees who benefit, or

$$\frac{120/180}{18/20} = \frac{.6667}{.90} = .7407$$

Therefore, if Acme adds a supplementary new complimentary plan to its existing 401(k) plan, it will satisfy the nondiscrimination rules by virtue of the cross-testing method.

The second alternative to the gateway tests, the "gradual age or service schedule" option, is more difficult to illustrate. However, per the language of Treasury Regulation 1.401(a)(4)(b)(iv)-8(b)(1)(iv), a cross-tested plan has a gradual age or service schedule for the plan year if "the allocation formula for all employees provides for a schedule of allocation rates under which (1) the schedule defines a series of bands based solely on age, years of service, or a combination of the two, where the same allocation rate applies within each band and (2) these rates increase smoothly at regular intervals." A schedule of allocation rates is considered to "increase smoothly" if the allocation rate for each band is greater than the immediately preceding allocation rate (that is, the band with the next lower number of age or service), is not more than 5 percent. A schedule of allocation rates does not increase smoothly if the ratio of any allocation rate for any band is more than 2 percent or if it exceeds the ratio of allocation rates between the two immediately preceding bands. Finally, a schedule of allocation rates has "regular intervals" of age, years of service, or combination points if each band, other than the band associated with the highest age, years of service, or combination points, is of the same length.

Example 2

Boxcar Inc. maintains a profit-sharing plan without a minimum service requirement and provides an allocation formula whereby allocations are provided to all employees according to the schedule in Table 2.

Completed Years of Service	Allocation Rate	Ratio of Allocation Rate for Band to Allocation Rate for Immediate Preceding Band
0-5 Years	3.0%	Not Applicable
6-10 Years	4.5%	1.50%
11-15 Years	6.5%	1.44%
16-20 Years	8.5%	1.31%
21-25 Years	10.0%	1.18%
26 or More	11.5%	1.15%

Here, the schedule of allocation rates does not increase by more than 5 percentage points between bands. In addition, the ratio of the allocation rate for any band to the allocation rate for the immediately preceding band is never more than 2 percent, and does not exceed the ratio of allocation rates between the two immediately preceding bands. In addition, the bands (other than the highest band) are all five years long, or of the same length. Therefore, Boxcar's profit-sharing plan may be cross-tested for nondiscrimination purposes regardless of whether it satisfies either of the two minimum gateway requirements.

What Are the Advantages?

The major advantage of the new comparability plan is that, unlike traditional profit-sharing plans, the participant's age, service, and level of compensation may separately (or in the aggregate) be taken into account when determining the allocation of plan contributions. Accordingly, under the plan, the percentage of contributions allocated to the owner and other highly compensated employees may be much higher than under a traditional profit-sharing plan. But this is the result only if the owners and highly compensated employees are older, on average, than the non-highly compensated employees and have been employed longer by the employer who would otherwise be sponsoring the traditional profit-sharing plan.

There are other advantages of the new comparability plan:

1. The plan can permit older, longer-term employees to receive the maximum contribution for a qualified defined-contribution retirement plan (in calendar year 2007, the lesser of 100 percent of compensation or \$45,000), while younger employees or employees with less service receive lesser amounts.
2. Employer administrative costs are lower than with most other types of qualified plans, particularly traditional defined-benefit plans.
3. Employer plan contributions are immediately tax deductible up to 25 percent of aggregate payroll.
4. The plan may be integrated with Social Security benefits using the excess method of integration.
5. Employer plan contributions may be increased or decreased at any time and may even be terminated if desired; in other words, these contributions are entirely *discretionary*, thereby providing a significant hedge in the event of declining (or anticipated reduced) business cash flow.
6. As a qualified plan, distributions from a new comparability plan may generally be rolled over by participants at time of distribution to either a traditional IRA or another qualified plan (if those plan

provisions so permit).

Comparison with the Age-Weighted Profit-Sharing Plan

An age-weighted profit-sharing plan is sometimes considered to be a second type of cross-tested plan, although the term "cross testing" is more encompassing (for example, the new comparability plan is cross tested, but does not use age-weighting). Under an age-weighted plan, each participant's compensation is weighted by an age factor. The employer contribution is then allocated as equivalent to an assumed benefit at the normal retirement age under the plan (typically, the participant's age 65). A participant's compensation is age-adjusted by multiplying the participant's actual compensation by a discount factor based on the participant's age and the interest rate elected by the employer/sponsor of the plan. Presently, the interest rate permitted by the IRS must be within a range of 7.5 percent to 8.5 percent.

Let's expand in Table 3 our example shown in Table 1 and compare the allocations under an age-weighted profit-sharing plan with those under the new comparability plan. This example now assumes a participant's normal retirement age of 65 and a discount rate of 8.5 percent.

Table 3: Comparison of Age-Weighted Profit-Sharing Plan and New Comparability Plan

	Age	Salary	Age-Weighted Compensation	Age-Weighted Allocation
Owner/Employee	55	\$225,000	\$99,514	\$39,308
Employee A	35	\$ 50,000	\$4,325	\$ 1,706
Employee B	33	\$45,000	\$3,307	\$1,306
Employee C	54	\$60,000	\$24,458	\$9,661
Employee D	41	\$35,000	\$4,940	\$1,954
Employee E	43	<u>\$36,000</u>	<u>\$5,982</u>	<u>\$2,365</u>
		\$451,000	\$142,526	\$56,300
Owner's % Share				70%

There are several points to note here when comparing the results of Table 3 (using an age-weighted profit-sharing plan) with those of Table 1 (using a new comparability plan). The first, and most apparent, is the reduced allocation to the owner/employee (70 percent of total contributions) in the age-weighted plan versus 80 percent in the new comparability plan. But beyond that, age-weighted plans demonstrate limited contribution flexibility; contributions may vary *only* according to compensation (salary) and age. In contrast, a new comparability plan permits a consideration of years of employee service with the employer. Finally, new comparability plans go beyond age-weighting by permitting different contributions for clearly defined groups of employees, such as another, younger, owner. More importantly, new comparability plans permit the employer/plan sponsor to treat two employees exactly the same, which is not possible with age-weighted plans.

Another major disadvantage of the age-weighted approach is that younger, highly paid employees get less than older employees who earn the same salary. To appreciate this point, assume instead in Tables 1 and 3 that Employee A earned the same amount of compensation (\$60,000) as did Employee C. But Employee A is much younger (age 35) than Employee C (age 54). Therefore, using the same discount factor of 8.5 percent and normal retirement age of 65 as in Table 3, Employee A would now have age-weighted compensation of \$5,191 and an allocation of \$2,038 (.0362 ? \$56,300). Compare this with Employee C, who would have the same age-

weighted compensation of \$24,458 as before, but only a slightly reduced allocation of \$9,605 (.1706 ? \$56,300). Therefore, Employee C would have almost *five times as large* a profit-sharing allocation as Employee A even though both earned the *same* amount of compensation. Accordingly, the employer/sponsor of an age-weighted plan may be subjecting itself to an unnecessary employee morale problem.

Table 4 compares the basic provisions of the new comparability plan to the age-weighted profit-sharing plan. Logical Successor to the Defined-Benefit Plan?

Table 4: Basic Provisions of New Comparability Plan and Age-Weighted Plan	
New Comparability Plan	Age-Weighted Plan
Greater allocation to owner/employee	Lesser allocation to owner/employee based on age
Permits employee service with employer to be considered	Employee service with employer is not considered
Permits different contributions for different groups of employees	Contributions only according to compensation and age of employees
Younger employees not disadvantaged	Younger employees disadvantaged
Satisfaction of nondiscrimination test if compliance with Treasury Regulations	May have to prove nondiscrimination via plan design provisions

Traditional defined-benefit (or pension) plans are being terminated or converted to a cash-balance pension plan in considerable numbers. This is, of course, understandable given the cost and complexity of maintaining such a plan. Nevertheless, is a new comparability plan the logical successor to the traditional defined-benefit plan?

A new comparability plan has a considerable advantage over its defined-benefit cousin since, as a defined contribution form of plan, the new comparability approach does *not* entail incurring the ongoing expense of an actuary. Even so, one of the drawbacks to the new comparability plan is that it costs more to establish and operate than a traditional profit-sharing plan. In addition, new comparability plans must be tested for nondiscrimination each year (usually by the third-party administrator hired by the employer/sponsor) to ensure that they are still compliant. A small-business owner who wishes to implement a new comparability plan needs to pay \$1,000 or more in additional fees than if the owner adopted a traditional profit-sharing plan. Required annual nondiscrimination testing adds another \$500 to \$1,000 a year. Finally, there is a one-time IRS fee of \$1,800 for issuing a "determination letter," which ensures tax-qualification of the new comparability plan for an initial five-year period.

Still, in conducting a formal cost-benefit analysis, these costs pale in comparison with the potential benefits of the new comparability plan. As an example, the additional contribution allocations to the owner's retirement plan (particularly an older owner with considerable years of service) usually far outweigh any additional (initial or ongoing) costs. Further, the sizeable employer tax deduction generated by virtue of these increased contributions may assist considerably in managing the future cash flow of the business. When these factors are considered, along with the possibility of only discretionary retirement plan contributions (not mandatory as in the case of the traditional defined-benefit plan), the feasibility of the new comparability approach appears to be clear-cut. Indeed, the only real decision to be made would seem to be whether an employer with the ideal employee census (that is, an older and more highly compensated owner/employee with a predominately younger workforce) should either implement a new comparability plan from the outset or perhaps add it to an existing profit-sharing plan with a 401(k) feature.

Use as a Supplement to an Existing 401(k) Plan?

Yes! Supplementing an existing 401(k) plan with a new comparability plan works especially well where the non-highly compensated employees are not deferring enough annually to permit the highly compensated employees to defer at the level they desire. Specifically, the danger of the non-highly compensated employees not contributing enough on a salary reduction basis is that the 401(k) plan may not pass the actual deferral percentage (ADP) test. This test is designed to limit the extent to which the elective (salary reduction) contributions of highly compensated employees may exceed the elective contributions of the non-highly compensated employees. The test applies not only to non-taxable or before-tax elective deferrals but also to post-2005 "designated Roth contributions," which are elective contributions made taxable by virtue of the employee's election.

There are several alternative methods of satisfying the ADP test for a traditional 401(k) plan. Among these are the establishment of a "safe harbor" 401(k) or a SIMPLE (savings incentive match plan for employees) plan. But both require mandatory employer matching contributions on behalf of the non-highly compensated employees. Rather, the new comparability plan offers a different approach. By installing such a plan, highly compensated employees are able to achieve the preferred level of contribution to the employer's profit-sharing plan with no additional deferrals. Further, since highly compensated employees are not making salary reductions or elective deferrals, they are not limited by the level of deferrals from the non-highly compensated employees (in other words, annual testing is not necessary to ensure compliance with the ADP special nondiscrimination test). Finally, as an additional benefit to the employer/sponsor of the 401(k) plan, because the highly compensated employees do not depend on the amount of non-highly compensated employees deferrals, a matching employer contribution is not necessary to encourage higher amounts of overall employee deferrals.

New comparability plans are, nevertheless, still subject to all the other limitations applicable generally to 401(k) plans. Among these is the limitation on annual contributions to defined-contribution plans. IRC Section 415(c) generally imposes a limit on annual additions to a participant's account in a defined-benefit contribution plan of no more than the lesser of (in the year 2007)

1. 100 percent of the participant's compensation from the employer for the plan year in question or
2. A dollar limitation of \$45,000

Annual additions to the participant's account consist of the employer's contributions to the plan, the employee contributions to the plan (such as the elective deferrals of a highly compensated employee), and allocated forfeitures of participants who have terminated service with the employer before fully vesting in the plan.

In addition, as discussed previously (see the section of this article discussing the basic design provisions), a new comparability approach requires that the plan provide either a "broadly available" allocation rate to all employees, a gradual age or service schedule, or one of two minimum "gateways."

Additional Issues

Some financial planners will prefer to use a new comparability plan in conjunction with a safe-harbor (not a traditional) 401(k) plan. They will likely choose this alternative since it does not involve ADP testing in the first instance. But like the top-heavy plan mentioned earlier (and the subject of Table 1), if a safe-harbor 401(k) plan is used, the participant must be given a minimum 3 percent-of-compensation contribution. Then, presuming the plan uses the 5 percent minimum gateway test, the participant must receive an additional 2 percent contribution to satisfy the gateway. This is because the minimum gateway allocation must be made to any non-highly compensated employee who has received any allocation of employer contributions, even though he or she may not otherwise be eligible for the cross-tested plan (for example, if the non-highly compensated employee terminated service with the employer before the end of the plan year when the cross-testing formula would be applied).

Another significant issue associated with the use of a new comparability plan is as a substitute for a defined-benefit plan. As discussed previously, an employer should be careful to consider the new comparability plan as the functional equivalent of the traditional defined-benefit plan. A new comparability plan is one of several defined-contribution alternatives; as such, the employer's tax deduction for contributions is limited to a percentage amount (25 percent of aggregate payroll) under law. This is not the case with a defined-benefit plan; instead, employer contributions to this type of plan may be much higher, depending on the respective ages of plan participants and, most notably, the business owner. If a business is in need of immediate cash flow, the greater tax deduction afforded by the define-benefit plan over any type of defined contribution plan (including the new comparability plan) may still be advantageous.

Finally, there is the issue of giving incentives to the owner to establish any form of qualified retirement plan for the benefit of himself or herself as well as the employees. While some critics condemn the skewed allocations to the owner that result from the implementation of a new comparability plan, many financial planners maintain that without the ability of the owner to maximize his or her own personal savings, most owners simply would not establish an employer-sponsored retirement plan. As a result, the alternative to a new comparability plan is not, for example, a more generous tax-qualified 401(k) plan, but rather a nonqualified deferred compensation plan that would preclude the average employee from receiving any future retirement benefit.

Conclusion

Financial planners assisting small-business owners need to be continually aware of new methods of achieving their clients' retirement planning goals. Accordingly, using the business entity to implement a qualified plan and manage future cash flow is very important. Further, depending primarily on the ages of the owner versus the other employees, the new comparability plan may offer unique advantages. Plan contributions are discretionary, the plan may give owners or executives the same contributions as a percentage of pay, and the plan will permit the employer to go beyond the standard 401(k) plan design and skew benefits in favor of the highly compensated employees without any additional employee contribution. In summary, sometimes the answer to the question, "What's not to like?" is "Nothing at all!"

Web Sites on New Comparability Plans

- www.irs.gov/ (specifically 2001-29 I.R.B.)
- www.leaguefinancial.com/
- www.mhco.com/
- www.aqps.com/
- www.findarticles.com/ (search for "new comparability plans")
- www.principal.com/
- www.destel.com/
- www.benefitplans.com/
- www.chase.com/
- www.geminigrp.com/