Invest in yourself with a profit-sharing plan.

Flexible employer contributions

Tax-deductible contributions

No setup or account maintenance fees

What is a profit-sharing plan?

It's an employer contribution plan that may be a good choice for you if you have variable profits but want to reward your employees by giving them a percentage of the company's profits (although you may not need profits or employees to make contributions). In fact, many old "Keogh" plans are now profit-sharing plans. This type of plan offers:

- Flexibility in determining annual contribution amounts
- The option for employers to decide how much to contribute each year—or even to skip years if necessary
- Tax benefits to both employer and eligible employees

Who is best suited for this plan?

Self-employed individuals and small business owners who want to reward employees with a percentage of profits. However, you do not need employees to utilize this plan for your business.

What are the key benefits?

- Contributions are **tax-deductible** for your business and offer **tax-deferred growth potential**.
- Employers have the option to offer plan loans and/or to make contributions subject to a vesting schedule.
- TD Ameritrade offers a prototype plan document and adoption agreement with IRS Opinion Letter and will provide 1099-R tax reporting for plan distributions.
- There are no setup or account maintenance fees.

What do I need to know about contributions?

- Employers may contribute the lesser of 25 percent of compensation or up to $56,000 for 2019 ($55,000 for 2018) per eligible employee. Employer contributions are discretionary and provide tax benefits for both the employer and employee.
- The most common way to allocate employer contributions is to give each eligible employee and the employer the same percentage of his or her compensation.
- Profit-sharing plan contributions must be made prior to the employer's tax filing deadline, including extensions.
  - A brand-new plan must be opened by the last day of the employer's/business's tax year; for companies who file taxes on the calendar year, the plan would need to be opened by December 31, 2019, in order to make contributions for 2019.
- Contact your accountant or tax advisor to learn more about what makes sense for your business and circumstances.

How are rollovers and transfers handled?

- Rollovers may be accepted into the plan if the plan document allows.
- Rollovers (either direct or 60-day) out of a profit-sharing plan may only be made once the plan participant reaches a reason for withdrawal, usually termination of employment, death, or disability. However, employee withdrawals while still working for the company may be allowed if specified in the plan document.
- Transfers between profit-sharing plans are made by the employer for all plan participants to change profit-sharing plan vendors or investments. Moving the entire plan between custodians/vendors should not be done as distributions or as rollovers.

What about distributions?

- Distributions may be subject to tax and a 10 percent early withdrawal penalty if you are under the age of 59 1/2. Employees may be able to avoid the 10 percent penalty if they are at least age 55 and then sever employment.
- Minimum required distributions start at age 70 1/2 for the business owner(s). Employees can wait until retirement (if later).

How do I set up a profit-sharing plan?

1. Apply online at **tdameritrade.com/smallbusiness** or by completing and mailing in the **Participant Account Application**.* Be sure to select Profit-Sharing Plan on the application.
2. TD Ameritrade will send the employer the Profit-Sharing Adoption Agreement and Basic Plan Document.
    - You will need to complete, sign, and return to TD Ameritrade.
    - These documents will govern your profit-sharing plan. Make sure to retain copies for your records.
3. Each eligible employee must complete and send in the Participant Application and Designation of Beneficiary Form. They should let you know their account number so you can reference it when you send in your contribution for them.
4. You may fund the profit-sharing plan upon opening the account or after it has been established via check or direct deposit.

If you already have your own profit-sharing plan document, please set up a Tax-Exempt Trust and not a profit-sharing plan. You will need to hire a vendor to do your own 1099-R Distribution reporting, as well as to keep track of individual employee accounts. The employer is usually the Trustee in this instance, not TD Ameritrade.

Where can I find the IRS documents?

Please refer to IRS Publications **560** and **4806** and the IRS page on **profit-sharing**.

Apply online at tdameritrade.com/smallbusiness or give us a call at 800-472-0586.

Special information for business owners with employees

- Employees must be included in the plan if:
    - They've been employed at least one year (or you can use two years if the plan is always 100 percent vested).
        - They've worked 1,000 hours or more during a plan year. You can never require more than 1,000 hours of service.
    - They're 21 years of age or older.
- An employer can use less restrictive participation requirements than those listed above, but not more restrictive. For example, an employer can make all employees immediately eligible for the plan.
- Nonresident aliens are generally excluded from the plan. An employer may also choose to exclude certain union employees.
- Tip: If you **own** multiple businesses, you may have to cover all of your employees under this plan, or you may have to hire a third-party administrator to perform additional annual plan testing. Consult a tax advisor for more details.

Remember: The business owner must also meet all requirements to qualify for a contribution.

What are the additional details?

- This plan allows you to maintain certain other retirement plans in addition to it, although contributions may have to be aggregated for all plans of the employer.
- If participant loans are permitted in the plan, the employer is responsible for making sure loans are paid back at least quarterly and following all other IRS rules on plan loans. Failure to do so can disqualify your plan.
- Employers must file a Form **5500** return/report each year unless an exception applies.
- Employers must create and provide employees with a Summary Plan Description (SPD) that informs participants of the basics of the plan. Certain other fee disclosures may also be required.
- You may need to hire additional service providers like a tax advisor or third-party administrator to assist you in maintaining your plan.

TD Ameritrade does not provide tax advice. You may wish to consult with a professional regarding your specific circumstances.

TDA 101164 SS 03/19