Employer Sponsored Retirement Plans

By Abraham Dugal, CFP®

Employers play a crucial role in helping their employees save for retirement by offering them an employer sponsored retirement plan that the employees can contribute to, and the employers may even offer a matching contribution to incentivize them to save. The most well-known of these plans are known as 401(k) plans, which allow for employees to contribute money from their earnings on a pre-tax or post-tax basis. The employer can decide whether they would like to make an employer contribution or matching contribution, but they are not required to do so. 401(k) plans offer several different options and are the most customizable retirement plans available.

Savings Incentive Match Plan for Employees, more commonly known as SIMPLE IRA plan, have fewer features but also cost less to the employer to implement and on an ongoing basis. The biggest difference between SIMPLE IRA plans and 401(k) plans are that SIMPLE IRA Plans require that the employer provide a matching contribution to eligible employees. This can be achieved in one of two ways: 1) contribute 2% of all eligible employees' wages whether the employees contribute their own funds or not, or 2)

match all eligible employees up to 3% of the employees' contributed earnings to the plan. The SIMPLE IRA is available to all employers with fewer than 100 employees.

In June 2021, Maine signed into law the Maine Retirement Savings program, which will require that all businesses with 25 or more employees will have to offer a retirement savings plan to their employees by April 1, 2023. Those with 15-24 employees will need to offer a plan by October 1, 2023, and finally employers with 5-14 employees will need to make offer a plan by April 1, 2024. Allen Financial Group is here to help!

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