

WHY SMALL BUSINESSES SHOULD OFFER A 401(K) NOW

6 Reasons to Enhance Your Benefits Package
with Retirement Savings

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Explore the top reasons for enhancing your benefits package with a retirement plan and why now is the ideal time to start a 401(k) plan.

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Explore the top reasons for enhancing your benefits package with a retirement plan and why now is the ideal time to start a 401(k) plan.

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6 Reasons to Enhance Your Benefits Package with Retirement Savings

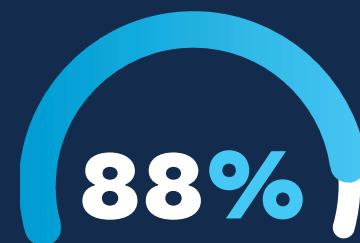
01 It's Table Stakes For Job Seekers.

Benefits are a key consideration for candidates. Offering a 401(k) can help your business compete more effectively.

Today's employees expect a 401(k). A 2023 survey by Charles Schwab revealed that 88% of workers consider a 401(k) plan a must-have benefit when looking for a new job. As a small or midsize business, you may have thought that offering a 401(k) plan was too expensive. But new legislation called the SECURE 2.0 Act is making it much more affordable. Now, you can compete with large corporations for top talent.

It's no secret that people are willing to change jobs for better pay and benefits. A 2023 survey conducted by Georgetown University, in partnership with Bank of America, revealed that nearly half (46%) of employees say they are looking to change jobs in the next year. And when they're searching for the next opportunity, benefits packages with 401(k) will be a key consideration.

At the same time, the number of competitors adding a 401(k) is expected to grow. A recent MassMutual Financial Wellness Trend Study found that 42% of employers currently offer financial wellness programs. And another 19% of employers are in the process of implementing programs while 19 percent say they plan to introduce wellness programs within the next three years.



of workers consider 401(k) a must-have benefit



of employers that offer 401(k) plans said retirement benefits help drive recruitment.



02 It Facilitates Financial Wellness For Your Employees.

A 401(k) plan is a way for your employees to build up a retirement nest egg while enjoying tax advantages.

With a 401(k), the employee understands that a percentage of each paycheck will be paid directly into an investment account. You, as the employer, have the option to match a percentage of that contribution. The employee chooses from available investment options to meet their long-term savings goals.

Employees enjoy having a 401(k) plan because it:

- provides tax benefits for them
- is hassle-free, with contributions automatically streamed from their paychecks
- often comes with an employer matching part of their contribution

The number of organizations offering 401(k) plans is growing steadily. And it's not just for large corporations. Smaller employers with fewer than 25 workers characterize financial wellness programs as important according to the MassMutual Financial Wellness Trend Study.



of smaller employers say financial wellness programs are important.

“Financial wellness has become a huge priority for employers across the country as Americans struggle with managing a wide variety of financial issues from paying down credit card debt and handling emergency medical expenses to saving for retirement and planning for long-term care.”



Una Morabito
Head of Client Management for MassMutual



03 **It's A Retention-Boosting Benefit.**

The process of hiring and onboarding is costly and time-consuming. Retain your talent with competitive benefit offerings.

The most overwhelming reason to offer a 401(k) to prospective employees is because if you don't, most say they will go elsewhere for employment. Simply put, a 401(k) is now a baseline expectation when working for a company. If you don't offer a 401(k), you're at an immediate disadvantage when it comes to retention. Offering an employee match with vesting can also foster long-term commitment.

Decrease Turnover, Increase Productivity

Speaking to Business News Daily, Brian Halbert, founder of Halbert Capital Strategies, said his clients found that adding a 401(k) plan significantly increased worker loyalty and productivity. "The single largest benefit coming from a 401(k) is financially wise employees that have a zeal for working hard for their company. Oftentimes, we see the ROI in productivity and loyalty."



04

It Unlocks Tax Advantages For Your Organization

Employees who contribute to their 401(k) accounts enjoy tax advantages that can help lower their tax bill.

But employers can also take advantage of key tax benefits while simultaneously supporting their employees' financial futures.

This document is not intended to be considered legal or tax advice for your situation, but it's a good idea to talk with your tax advisor about these benefits commonly available to businesses offering 401(k) plans.

- **Company Contributions.** Your organization's contributions to employees' 401(k)s are tax deductible and can reduce your company's taxable income.
- **Administration Fees.** The plan administration fees for your employer-sponsored 401(k) are typically tax deductible.
- **Start-Up Costs.** New legislation includes tax provisions that encourage small businesses to start a 401(k) plan. Read more on page 8.

A win-win for you and your employees

Matching 401(k) contributions are typically tax deductible.

(Not legal advice; consult a tax professional.)

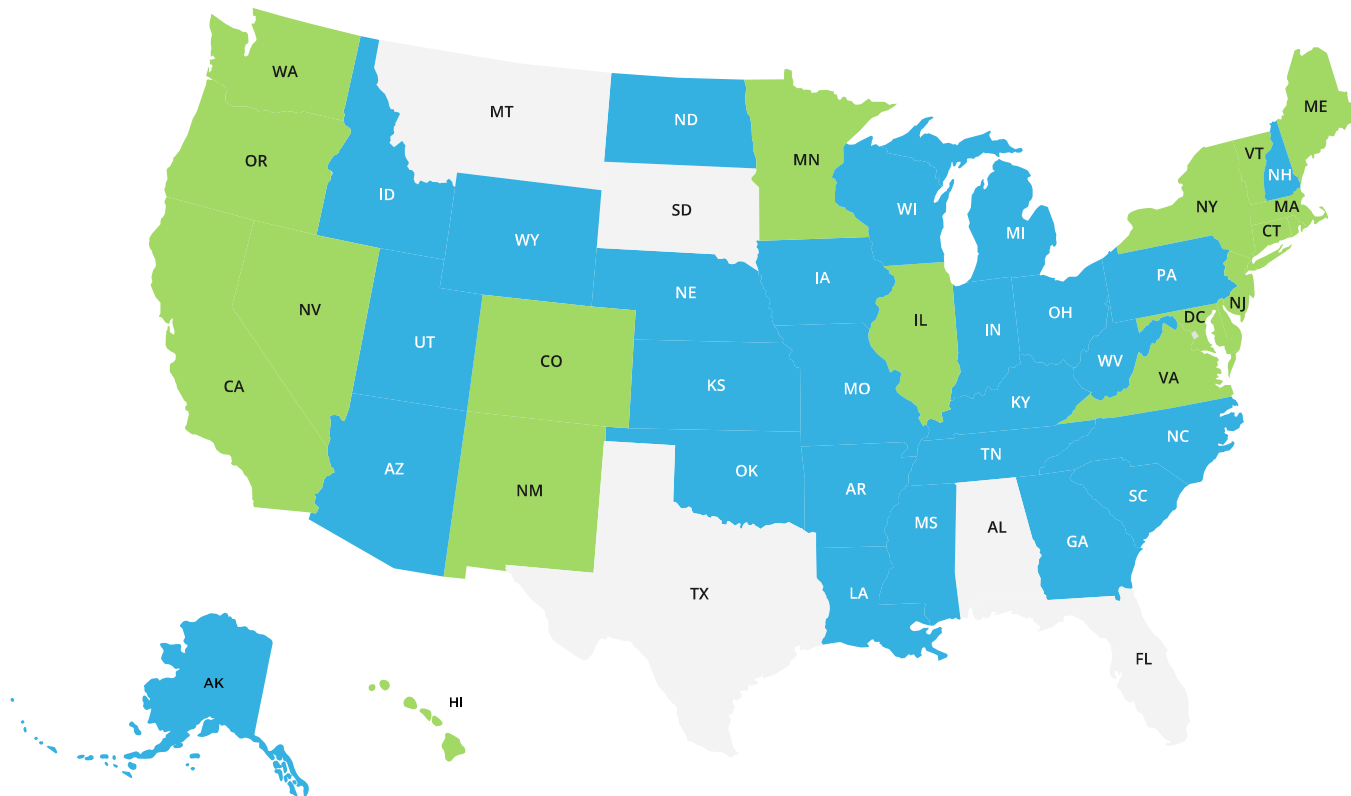


05 It's Required By Law In Many States.

To combat the nation's growing retirement savings crisis, an increasing number of states are mandating that employers provide retirement plans to employees.

In fact, there are 45 states that have passed or are considering state mandates requiring employers to offer retirement plans. The laws vary by state, but small businesses are generally not exempt. For example, in Colorado and Connecticut the mandate is applicable to all employers with 5 or more employees.

This illustration shows the states that have either passed laws or have pending legislation regarding retirement plan mandates.



State 401(k) Legislation

-  State Mandated for Retirement Plans
-  Considering State Mandated for Retirement Plans
-  Not Currently Considering State Mandated for Retirement Plans

Cost-effective Compliance.

A private 401(k) plan can be less expensive and more versatile than your state-mandated plan. For instance, if your state-mandated plan is a Roth IRA, a 401(k) can be a superior offering because employees can contribute significantly more money to their retirement and use pre-tax money to lower their tax bill.

Learn more by reaching out to one of our payroll and 401(k) experts.

06 **It's now more affordable than ever.**

In the past, start-up costs have been a deterrent for small businesses considering a 401(k). Now, the recently passed SECURE 2.0 Act is changing the affordability equation for small businesses that opt to add a 401(k) plan to their benefits package.

The SECURE Act 2.0 amplifies the tax credits available to eligible small businesses, making the initiation of 401(k) plans more financially attractive. Under this new legislation, the tax credit for startup costs has been significantly increased, enabling small businesses to recoup a larger portion of the costs associated with setting up new retirement plans.

The SECURE Act 2.0 makes it more affordable to invest in the long-term financial stability of your business and your employees.

- **Tax Credit Amount** - The tax credit now covers up to \$5,000 in annual startup costs incurred during the first three years of the plan.
- **Eligibility** - Small businesses with up to 100 employees who earn at least \$5,000 are eligible for this credit. The credit is particularly aimed at businesses that have not had a retirement plan.
- **Ease of Claiming** - Claiming the credit has been simplified to encourage more small businesses to take advantage of this incentive. Simply file Form 8881 with the IRS.

Tax Advantages for Contributions

For employer contributions, the SECURE 2.0 Act takes the tax advantages a step further. Businesses with 50 or fewer employees can claim a credit for the employer contribution for the first five tax years starting when the plan is initiated, up to \$1,000 per employee. Your business can claim 100% of the employer contribution in the first and second tax years. Then, claim 75% in the third year, 50% in the fourth year, and 25% in the fifth year. For employers with 51 to 100 employees, the credit is slightly reduced.



Timing is Everything

For small businesses, the benefits available from the SECURE Act 2.0 have created an ideal time to initiate a 401(k) plan. Talk with your financial advisors about your next steps.

Small businesses can claim up to **\$5K** per year for 401(k) start-up costs



401(k) Plan FAQs for Small Businesses

Is my company too small to offer a 401(k) plan?

No, employers of any size can support retirement savings for their employees. The intent behind this new legislation, the SECURE 2.0 Act, is to allow businesses of any size the ability to offer a 401(k) plan. There are different types of plans, even for companies with just a few employees.

Can my small business afford to offer a 401(k) plan?

Thanks to the SECURE 2.0 Act, 401(k) plans are more affordable than ever before. For employers with up to 50 employees, SECURE 2.0 includes a tax credit that's 100% of the administrative costs, up to \$5,000.

Do I have to match employee 401(k) contributions?

No, you do not. However, thanks to the new SECURE 2.0 law, you may want to. That's because the SECURE Act 2.0 offers a tax credit for employer matching or profit-sharing contributions. That said, you may offer a plan without matching contributions. This is still preferable to not offering a 401(k) plan at all.

Are there alternatives to match contributions?

Yes. You can choose to provide an annual profit share into the 401(k) if you meet annual revenue goals. In general, 401(k) plans are flexible.

What is Automatic Enrollment?

Automatic enrollment means employees are automatically enrolled in a 401(k) plan. A defined default percentage of the employees' wages (typically 3%) are contributed to the employee's 401(k) savings plan unless they opt out. Automatic enrollment will be required for new plans starting in 2025.

How do 401(k) payroll deductions work?

When your 401(k) is integrated with payroll, the deduction process is seamless. That's why the easiest way to offer a 401(k) plan is to partner with a payroll provider that offers 401(k) plans integrated into its payroll and HR software. This approach frees you up to focus on your business while your payroll provider handles the administration, employee enrollment, and contributions.



Don't miss out on top talent and tax savings. Connect with a payroll and 401(k) expert at Asure to explore your options.



Making the Most of Your 401(k) with Asure

We've aligned our 401(k) with the SECURE Act 2.0, which offers significant tax incentives for small businesses to establish new retirement plans.

When you sign up to offer an Asure 401(k) solution, we'll help you claim the tax credits. Our 401(k) options can be tailored to your company's needs and budget. Focused on supporting growth-minded small businesses, we serve 100,000 small and midsize businesses with 1.7 million employees in all 50 states. Learn more about partnering with Asure to provide a seamless 401(k) solution for your employees and future employees.

Why Asure 401(k)?



Seamless Integration

Our 401(k) solutions integrate effortlessly with your existing payroll system, offering a unified experience.



Expert Guidance

Benefit from personalized consultation and support to ensure your 401(k) plan aligns with your business objectives.



Customized Solutions

Tailor your 401(k) offerings to match your company's culture and needs, with various investment options available



Comprehensive Compliance

Rest easy knowing that Asure's expert team will handle all legal and regulatory aspects of managing a 401(k) plan.



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Payroll & HR Solutions for Growing Businesses

Our small business clients have a mission — build a better product, figure out a better way, or maybe even change the world. To do that, they must grow.

That's why we build reliable, compliant Payroll & HR software that's delivered via the cloud so you can skip the costly IT overhead or large capital purchase. And because we're hyper focused on supporting your growth, our systems can scale from start-up to 1,000+ employees without any expensive upgrades or painful migrations.

Don't want the risk and overhead of maintaining payroll and HR staff? Asure can take the expense and compliance headache off your plate. Our certified HR professionals help build top-notch teams, stay compliant with HR laws, and eliminate the need to hire full-time back-office staff.

Ready to get started? Connect with our 401(k) experts today.

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ask@asuresoftware.com

