

“Super-Charged Comparability” Plans: Higher Contributions for Older Owners

We prefer the name “super-comparability” because it is the most flexible type of plan. Why? Because it can target, with precision, extra benefits to select classes of employees. These plans are also known by other names, such as “super-integrated,” “classification plan,” “group allocated plan” — but are mostly known by the moniker “New Comparability Plans”

New Comparability Plans combine sophisticated rules to allow such things as age-weighting, using weighted averages to determine the contribution. Therefore, this plan is ideal for principals who:

- Are older and are highly compensated employees (usually the owner or *plan sponsor*);
- Want the biggest possible share of the plan contribution allocated to their own accounts;
- Desire the contribution flexibility of a profit sharing plan.

These are highly customizable and can be matched to a business quite easily. For example, *groups can be created* for different profit centers, subsidiaries, sister companies or, most commonly, by job class—in short, any clearly identifiable group. Some sponsors create clearly identifiable classes that best match their business organization.

Interestingly, creating different classes does not mean you have to give different contributions in any given year. In some years, you can give each class zero or perhaps 25% of pay to everyone; you decide the amount as long as the contribution *satisfies testing* each year.

The basic rule of thumb is that the contribution you give to the bottom group(s) will determine how much you can give to the others. If the preferred groups are, on average, older than the other groups, you should be able to leverage modest contributions to the rank and file employees into substantial contributions to the other groups.

Are these rules for you and your business? Why not call us AT (866) 977-2252 today for a free, no-obligation, consultation, or sign up for our free consultation and tell us your questions, and we'll get back to you with the answers soon.