



# Future Capital Management Employer Guide to 401(k) Plans

*Everything you need to know*

## Why Offer a 401(k) Plan?

In today's competitive job market, offering a robust 401(k) plan is crucial for attracting and retaining top talent. A 401(k) plan is a powerful tool that demonstrates your commitment to your employees' financial well-being. It helps them save for retirement in a tax-advantaged way, securing their future and providing peace of mind.

Here are key reasons to offer a 401(k) plan:

- **Attract Top Talent:** Stand out from competitors and attract skilled professionals.
- **Retain Valuable Employees:** Encourage long-term commitment and reduce turnover.
- **Boost Employee Morale:** Show you care about your employees' financial futures.
- **Tax Advantages:** Benefit from potential tax deductions on employer contributions.
- **Improve Financial Security:** Help employees build a secure retirement nest egg.

## How a 401(k) Plan Works

A 401(k) is an employer-sponsored retirement plan that allows employees to save a portion of their paycheck on a **pre-tax** or **after-tax (Roth)** basis. Depending on the type of contribution, savings can grow **tax-deferred** or **tax-free**, with taxes generally applying only when funds are withdrawn in retirement—or not at all for qualified Roth withdrawals.

Many employers also offer **matching** or **profit-sharing** contributions. While these contributions can help boost savings, each plan has its own vesting rules that determine when those dollars become fully the employee's.

**Here's a simplified breakdown of how a 401(k) works:**

**Employee Contributions:** Employees choose a percentage of their salary to contribute, up to IRS annual limits.

**Employer Contributions (If offered):** Some employers match part of the employee's contribution or make additional profit-sharing contributions.

**Investment Options:** Most plans offer a lineup of professionally managed options—often mutual funds, target-date funds, or other diversified choices.

**Tax Treatment:** Traditional 401(k) contributions grow tax deferred. Roth contributions grow tax-free if requirements for qualified withdrawals are met.

**Withdrawals in Retirement:** Withdrawals from traditional 401(k)s are taxed as ordinary income. Roth 401(k) withdrawals may be tax-free if certain conditions are met.

A 401(k) is a long-standing retirement savings tool, but like any strategy, its benefits depend on a person's broader financial situation, goals, and time horizon.

## Plan Design Basics

Designing your 401(k) plan involves key decisions about eligibility, matching contributions, and vesting schedules.

### Eligibility

Define who is eligible to participate in the plan. Common eligibility requirements include:

- Age (e.g., 21 years old)
- Length of service (e.g., 1 year)

### Example:

All employees who are at least 21 years old and have completed one year of service are eligible to participate in the 401(k) plan.

### Matching Contributions

Decide whether to offer matching contributions. A common matching formula is:

- 100% of employee contributions up to 4% of their salary

### Example:

For every dollar an employee contributes, up to 4% of their salary, the employer contributes \$1.00. If an employee earns \$50,000 and contributes 4% (\$2,000), the employer contributes \$2,000.

### Vesting

Establish a vesting schedule for employer contributions. Vesting determines when employees have full ownership of the employer contributions.

- **Cliff Vesting:** Employees become fully vested after a certain period (e.g., 3 years).
- **Graded Vesting:** Vesting gradually increases over time (e.g., 20% after 2 years, increasing to 100% after 6 years).

### Example:

#### *Cliff Vesting:*

Employees are 100% vested in employer matching contributions after 3 years of service.

#### *Graded Vesting:*

Years of Service	Vested Percentage
2	20%
3	40%
4	60%
5	80%
6+	100%

## Key Benefits for Employers

- **Tax Deductions:** Employer contributions are generally tax-deductible, reducing your company's taxable income.
- **Improved Employee Productivity:** Financial security reduces stress and enhances focus, leading to increased productivity.
- **Enhanced Company Reputation:** Offering a 401(k) plan improves your company's image and attracts socially conscious employees.
- **Simplified Administration:** Future Capital Management handles the complexities of plan administration, allowing you to focus on your core business.

## Employee Benefits

- **Tax-Advantaged Savings:** Contributions may grow tax-deferred or even tax-free, potentially leading to significant savings over time.
- **Employer Matching Contributions:** Free money! Matching contributions boost retirement savings.
- **Investment Options:** Access to a diversified range of investment options to suit individual risk tolerance and financial goals.
- **Retirement Security:** Peace of mind knowing they are building a secure retirement nest egg.
- **Portability:** Employees can typically roll over their 401(k) savings to another retirement account if they change jobs.

## Why Partner with Future Capital Management?

Future Capital Management provides comprehensive 401(k) plan solutions tailored to your business needs. We offer:

**Customized Plan Design:** We work with you to design a plan that aligns with your company's goals and budget.

**Expert Guidance:** Our experienced advisors provide ongoing support to you and your employees.

**Simplified Administration:** We handle all aspects of plan administration, from enrollment to compliance.

**Competitive Pricing:** We offer transparent and competitive pricing.

**Exceptional Service:** We are committed to providing exceptional service and support.

## Next Steps

Ready to empower your employees' future and secure your business's success? Contact Future Capital Management today for a free consultation. We'll help you design a 401(k) plan that meets your specific needs and helps you achieve your business objectives.

**[www.futurecapitalco.com](http://www.futurecapitalco.com) | 720-927-3100 | [info@futurecapitalco.com](mailto:info@futurecapitalco.com)**

Future Capital Management Incorporated (FCM) is a registered investment advisor in the states of Colorado, Texas, Nebraska, Kansas, Florida and Missouri. Charles Schwab® is not affiliated with Future Capital Management. Past performance is not indicative of future results. Future Capital Management Incorporated (FCM) is not a licensed CPA Firm nor has licensed CPAs. FCM does not represent the client on any matters with the IRS, including audits, payments, collection issues, and appeals. FCM doesn't audit the tax documents or supporting material for the accuracy. FCM is not responsible for missed documents not provided from the client. The client is responsible for the accuracy of the filed tax return.

v. 01 01152025