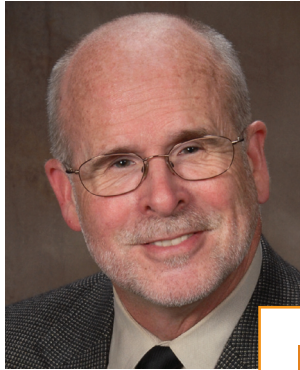


Choosing the best retirement plan for your firm: SIMPLE IRA versus 401(k)

A case study with Carl G. Peterson, CPA,
Peterson & Peterson Associates, PLC



Carl G. Peterson,
CPA, Peterson &
Peterson Associates, PLC
www.ppaplc.com

AICPA Firm-Based Member Retirement Program:

“Simpler than a SIMPLE!”

~ Carl Peterson, CPA

CHALLENGE:

Small growing firm needed to improve its employee benefits package, specifically, its retirement program, to better attract and retain staff. Also wanted a plan that provided excellent investment options for its employees, while not adding to its administrative tasks.

SOLUTION:

Initially, firm starts with a SIMPLE IRA to satisfy the most basic requirements of a new hire; later discovers the advantages of the AICPA’s Firm-Based Member Retirement Program administered by Paychex.

RESULTS:

With Paychex now managing both its payroll processing services and 401(k), the firm simplified its administrative tasks, freeing up more billable time for client services, while improving the quality of its employee benefits package, making it competitive with bigger firms.

Choosing the right retirement plan for their firm...



Carl Peterson and his wife Joan are partners at the accounting firm Peterson & Peterson. They currently have 4 CPAs and one support staff in their firm. The firm primarily supports businesses in the service industries and high net-worth individuals. About nine years ago, Carl said, “we were looking to hire a new auditor as we were picking up 18 audits where we do a lot of Section 42

investment tax credit type audits. We wanted to hire a CPA from a national firm. She was, of course, used to the excellent benefits a large business can offer and wanted the same from us before she would come aboard. “

“Like most small firms and other small businesses, we really didn’t consider a 401(k) plan at all, mistakenly assuming it was too costly and too complicated for a small firm to set up and administer. So, initially, we narrowed our focus down to SEP and SIMPLE IRA plans.” Carl observed that today’s CPAs just graduating from college seem more aware of the importance of having a good retirement plan and employee benefits package. So, if you want to attract today’s talented grads, you should keep that in mind.

“By not starting with a 401(k) plan sooner, we may have missed out on some opportunities.”

Finding a better, more flexible retirement program...

Carl was talking with his Paychex representatives about Paychex's payroll processing services. During their discussion, the reps also told Carl about the advantages of the AICPA Firm-Based Member Retirement Program. Carl, who was also a recent member of the AICPA Member Retirement Committee, was aware of some of these benefits and was very impressed. He told Joan, his partner and wife, that "we really should be looking at this. By not starting with a 401(k) plan sooner we may have missed out on some opportunities." But, of course, it's never too late.

401(k) retirement plan versus the SIMPLE IRA...

Carl's firm has been using the 401(k) plan for about a year now. His observations: "True, there are some fees we didn't have with the SIMPLE plan, but the options and investment opportunities that we have with the 401(k) plan actually puts far more dollars in our pockets than we had with the SIMPLE Plan and we save more on the taxes. From a dollar standpoint, we're able to put away another \$15,000 with the 401(k), and in our high tax bracket that's significant. We're saving \$5,500 to \$6,000 a year more with the 401(k). That's a lot of money." Currently, they have a 3% employee match with the 401(k) and far more investment options than a SIMPLE plan. Carl later said to Joan, his partner and wife, "we should have done this sooner."

“Through the AICPA Firm-Based Member Retirement Program, we're able to offer our small staff a large company benefit. It's well worth it!”

Switching to the 401(k) comes down to dollars and sense...

Carl said, "Since we're all over 50, we're all able to benefit from the 401(k)'s higher deferrals and catch-up and ROTH options and tax benefits. It's \$5,500 with the 401(k) versus only \$2,500 in the SIMPLE plan. Over several years, that will make a big difference." Some of Carl's employees particularly like having more choices, more investment options, such as the ROTH component, that their 401(k) offers over the SIMPLE.

Other advantages of the 401(k) versus the SIMPLE...

You can use your own financial advisors with the 401(k) plan. Carl commented, "We like our financial advisors with Merrill Lynch. We have a great relationship with them. The more viewpoints and financial advice you can have, the better."

More diversity and lower fund fees: With the 401(k) you have a much wider choice of funds to choose from and generally lower fees, too. Carl said, "We have access to a wider variety of funds we didn't have before. Now, we can choose from non-American funds. With the SIMPLE, we only had access to American funds."

Carl noted, "Our staff really likes all the options and flexibility with the 401(k) versus the SIMPLE. The ROTH component is a big deal here."

“We have access to a wider variety of funds we didn't have before.”

In short, the 401(k) retirement plan is structured to bring the large business benefit to small business owners. Carl noted, "Through the 401(k) retirement plan, we're able to offer our small staff a large company benefit. It's well worth it!"

The 401(k): Simpler than the SIMPLE...

When we asked Carl about the so-called administrative burden of a 401(k) versus the SIMPLE, this is what he had to say: “It’s all perception. When we had the SIMPLE, we were also doing our own payroll in-house. It’s so much simpler now with the 401(k). When we went to the 401(k) plan and added the Paychex payroll processing (a complimentary service included in the program), Paychex now does all of the 401(k) recordkeeping and administration tasks for us. It’s actually much simpler to have a 401(k) than a SIMPLE IRA plan!”

“You need to look at the opportunity cost.”

Carl also commented that their Paychex representative is a great resource, “We can trust him when we refer folks to him. Our Paychex rep, Dean, is always available and accessible when we are referring clients. He is not a sales person.”

To sum up, Carl commented, **“Other firms really need to look at the retirement plans they have in place to make sure they are not missing any better opportunities. Don’t be complacent. Get rid of the ‘don’t fix it if it ain’t broke’ mentality. You need to look at the opportunity cost and evaluate this opportunity to work with the AICPA Retirement Program today.”** And that’s exactly why they switched from a SIMPLE plan to the AICPA Firm-Based Member Retirement Plan. The decision was simple.

About the AICPA Firm-Based Member Retirement Program

The AICPA Member Retirement Committee has selected Paychex as the provider of 401(k) services for the AICPA Firm-Based Member Retirement Program. As the largest provider of 401(k) plans and a national provider of payroll processing, human resource and benefit services, Paychex is uniquely positioned to develop an integrated end-to-end retirement solution for your firm — with unique pricing and service benefits designed exclusively for AICPA members.

These benefits include but are not limited to:

- A personal consultation with a local Paychex retirement specialist (in most major markets)
- A Platinum Support Program dedicated to servicing the Retirement Plans of the CPA community
- A wide spectrum of fund options from 143 fund families
- Attractive 401(k) plan pricing uniquely available for AICPA Members
- Free Payroll processing is included with retirement program
- An integrated retirement and payroll solution minimizing administrative burden

With a best-in-class service model, extensive flexibility around plan design and a wide array of investment choices backed by centralized administration — Paychex can help firms select and manage the retirement plan best suited to your respective firm’s needs. You’ll even have the option to work with a local financial advisor.

Note: The AICPA Firm-Based Member Retirement Program has been designed around the needs of AICPA members in firms with approximately 1 to 50 employees. For AICPA members in business and industry or in firms with greater than 50 employees, these benefits may not apply. Please consult with a Paychex sales specialist to learn more. For more information about the [AICPA Firm-Based Member Retirement Program](#), please contact a Paychex specialist today at **1-877-264-2615**, Monday through Friday from 8:00 a.m. to 8:00 p.m. ET