

## **401(a)**

### **Advantages of Using a 401(a) Defined Contribution Plan for Employer Contributions**

- No offset against the 457 Plan contribution limit
- Contributions are not subject to FICA tax as in a 457 Plan
- A vesting schedule can apply to the contributions
- Participant loans can be made available
- The IRS 10% early withdrawal penalty can be avoided after age 55 (instead of 59½)

### **How contributions are taxed in a 401(a) plan**

Participants do not pay income taxes on contributions or earnings until they make a withdrawal or are transferred to their beneficiary. Contributions may remain tax deferred and allows them to compound until the participant is eligible to take withdrawals for retirement.

### **Key Features of a 401(a) plan**

- You can set up a 401(a) plan to cover specified employee groups
- Eligibility requirements can include up to age 21 and two years of service (1,000 hours each year)
- Contributions are discretionary each year, but must be substantial and recurring
- Contributions are allocated according to a formula specified in the plan
- Ownership of an employee's account can be tied to a vesting schedule based on years of service
- The participant's vested account balance is generally payable upon retirement, severance from employment, disability or death
- Taxable distributions on account of disability, death or after age 55 and severance from employment avoid the IRS 10% early withdrawal penalty
- Employees can defer any or all distributions until they are subject to IRS minimum distribution rules
- Younger and long-term employees may benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings

**To learn more on how we can help you with your 401(a) plan, contact Security Benefit at 800.747.5164, option 3.**

## **Related Products**

- [SFR Program](#)
- [Workplace Retirement Program for Non-ERISA Plans](#)
- [SmartChoice Retirement Program](#)

- [Workplace Retirement Program for ERISA Plans](#)

Services offered through **Security Distributors**, an indirect subsidiary of SBL Holdings, Inc. (Security Benefit).