



THE Contractors Plan

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Why SIMPLE Plans Don't Work for Prevailing Wage Contractors

There are several reasons SIMPLE Plans don't work for Prevailing Wage contractors:

- ➔ **Cannot be used effectively for Prevailing Wage jobs.**
SIMPLE IRA and SIMPLE 401(k) Plans are statutorily prohibited from contributions which vary between job classifications by an hourly rate.
- ➔ **Cannot be used in conjunction with a Prevailing Wage plan.**
SIMPLE IRA and SIMPLE 401(k) Plans are statutorily prohibited from being used if the employer makes contributions to another qualified retirement plan.
- ➔ **Costs most employers more than a standard 401(k) plan.**
SIMPLE IRA and SIMPLE 401(k) plans require employers to make contributions for each participant. This is either a dollar-for-dollar match or percentage of pay for all participants.

SIMPLE IRA and SIMPLE 401(k) plans using the match approach require 100% matching rates, so popular matching formulas such as \$.25 or \$.50 per each dollar deferred may not be used. They also cannot be used for "employee only" plans where an employer allows employee deferrals, but offers no match.

SIMPLE IRA and SIMPLE 401(k) plans using the percentage of pay approach must make contributions for all participants equal to 2% of their pay, whether or not the employee makes deferrals.

SIMPLE IRA and SIMPLE 401(k) plans require 100% vesting for all employer contributions.
- ➔ **Highly compensated employee contributions are more limited than with standard plans.**
SIMPLE IRA and SIMPLE 401(k) plans have a \$11,500 statutory deferral limit compared to the \$16,500 limit on 401(k) plans. The 401(k) limit is 44% higher.

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