



ABC Pools and Spas **Maximizing Employee** **Benefits through Tax Credits**

ABC Pools and Spas, a small business with a vision for the well-being and financial security of its employees, aimed to enhance its retirement benefits through a profit-sharing 401(k) plan. RMC Group was able to help it make substantial contributions to the retirement security of its employees, while reducing its overall costs through the use of available tax credits.





Challenge

ABC Pools and Spas has 20 dedicated employees earning above \$5,000, and an owner who wanted to provide significant retirement benefits to her employees within a tax-efficient framework. However, she was also concerned about the cost of implementing a retirement plan for her employees.

When she approached her accountant for help setting up a plan, her accountant was unaware of the tax incentives provided by SECURE 2.0 that help employers handle the cost of starting a plan. That is when she found RMC Group.

Solution

RMC Group was able to use tax credits to help the employer reduce its taxes and offset its costs. The first was the start-up credit, which provides a tax credit of up to \$5,000 to an employer in the first three years of the plan to help offset the administrative expenses incurred in adopting the plan. The second is the auto enrollment credit of \$500, incentivizing employers to automatically enroll their qualifying employees in the plan, allowing the employees to opt out if preferred. The third, which is illustrated below, is a tax credit for an employer's matching contributions. This credit enables an employer to reduce its taxable income by a percentage of its matching contribution per employee up to a cap of \$1,000. By taking advantage of these tax credits, ABC Pools and Spas anticipated saving \$186,308 in taxes over five years.

Employer Contributions Tax Credit Schedule

Businesses with 50 or Fewer Employees





Outcome and Savings

With a commitment to reassessing the plan annually, ensuring eligibility, and recalculating tax credits, ABC Pools and Spas projected significant tax savings over a five-year period. By maintaining a consistent employee census and optimizing the plan's features, the company anticipated saving \$186,308 in taxes, contributing to long-term financial security for both the owner and employees.

Year	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	Total
RMC Administration Fees	\$(5,525)	\$(3,025)	\$(3,025)	\$(3,025)	\$(3,025)	\$(17,625)
*Savings from Fee Tax Credits	\$5,000	\$3,025	\$3,025	-	-	\$11,050
Net Savings (Administration Costs)	\$(525)	\$-	\$-	\$(3,025)	\$(3,025)	\$(6,575)
Total Employer Contribution (<\$100K)	\$(41,721)	\$(41,721)	\$(41,721)	\$(41,721)	\$(41,721)	\$(208,606)
**Savings from Contribution Credit	\$21,000	\$21,000	\$15,750	\$10,500	\$5,250	\$73,500
***Automatic Enrollment Credit	\$500	\$500	\$500	-	-	\$1,500
Owner Tax Savings (32%)	\$20,052	\$20,052	\$20,052	\$20,052	\$20,052	\$100,258
Net EE Contribution over Savings	\$(170)	\$(170)	\$(5,420)	\$(11,170)	\$(16,420)	\$(33,348)
Net Cost of the Plan	\$(694.60)	\$(169.60)	\$(5,419.60)	\$(14,194.60)	\$(19,444.60)	

5-Year Savings	\$186,308
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Conclusion

This example shows how a company working with RMC Group can take advantage of available tax incentives to transform its retirement benefit landscape.