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MERRILL SMALL BUSINESS 401(K)

Tax benefits can help you keep more of your earnings

The Merrill Small Business 401(k) is designed with simplified features that make sense for small business owners and can give you the opportunity to gain significant tax advantages. The bottom line? A Small Business 401(k) may help you retain employees and more of your hard-earned profits at a price that fits your budget.

401(k) tax facts

The Merrill Small Business 401(k) gives business owners and employees several opportunities to keep more of the money they earn.

Salary contributions: Individuals participating in the plan can contribute up to $23,500 in 2025, in any combination of pre-tax or Roth 401(k) contributions. Pre-tax contributions reduce an employee's taxable income. Individuals age 50 or older can even contribute an additional $7,500, to "catch up" their retirement nest egg.

Tax treatment of earnings: Earnings on the funds in an employee's pre-tax 401(k) are tax deferred. That means earnings are not reported as taxable income until withdrawn in retirement, when employees are likely to be in a lower tax bracket.[1] Earnings on the funds in an employee's Roth 401(k) are tax free if withdrawn as part of a qualified distribution.[2]

Tax deductions: If you include company matching contributions as part of your company's 401(k) plan, you not only help your employees' accounts accumulate wealth, but you also may realize tax benefits for your business. Small business owners generally can deduct administrative costs and other plan expenses, along with company contributions. Limits may apply.

Tax credits: If this is your company's first 401(k) and you have employees, you may be eligible for a tax credit of up to $5,000 each year for the first three years. For more information, visit irs.gov, Retirement Plans Startup Costs Tax Credit.

Pre-tax savings add up

If you contribute $4,000 to your pre-tax 401(k) account, and you are in the 25% tax bracket, you save $1,000 in current income taxes. You can see that the more you contribute pre-tax, the more in tax savings you generate.[1]

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Tax benefits and more

The money invested through a 401(k) plan can go toward helping build a nest egg. With the Merrill Small Business 401(k), getting a plan that works with your business needs is as easy as ever.

The start-up process and plan administration are simple. The plan is affordable and has features that fit busy small business owners.

Other advantages include:

- 24/7 online access to your plan and educational resources.
- A step-by-step guide to assist year-end plan document and report processing.
- Automatically satisfy certain IRS testing with a safe harbor plan design.
- Fully disclosed fees.
- Affordable plan expenses potentially offset by tax savings.
- Simplified menu of investments and portfolios selected by Morningstar Investment Management LLC, that require minimal administration, allowing you to focus on running your business.

Tax savings may offset plan costs

Contributions and plan expenses generally are tax deductible and may offset plan expenses.

For example, let's meet Chris

Chris is a small business owner with fewer than 50 employees. This is the first 401(k) for the business. He is in the 25% personal income tax bracket.

- 30 of Chris's employees participate in the plan. The average salary for all 30 employees is $45,000, with an average contribution rate of 5%. The business makes a 4% matching contribution. This results in a tax deduction to the business of roughly $54,000.
- The business is eligible for a tax credit of up to $5,000 each year for the first three years.

With a plan administration cost of only $90 per month, the tax benefit opportunities for Chris and his business far outweigh the costs associated with the plan.

Hypothetical example for illustrative purposes only. You should consult your tax advisor regarding your specific situation.

Start investing for your future today

Get started online at **merrilledge.com/401k** or call an Ascensus 401(k) Consultant at **866.890.4177**.

[1] Taxes on pre-tax contributions and any associated earnings will be due upon withdrawal. You may also be subject to a 10% additional tax if you take a withdrawal before age 59½.

[2] Generally, because your contributions to a Roth IRA have already been taxed, they can be taken as tax-free distributions at any time, but investment earnings distributed are subject to federal (and possibly state) income tax unless taken as part of a qualified distribution. A qualified distribution may be made after a five-year period has been satisfied (this period begins January 1 of the tax year of the first contribution or the year of the first conversion to any Roth IRA) and you are age 59½ or older, are disabled, bought, built or rebuilt a first home (lifetime limit of $10,000). In situations where the original account owner is deceased, distributions to the beneficiary are also considered a qualified distribution. If you take a non-qualified distribution, the earnings portion of such distribution is subject to regular income taxes, plus a 10% additional federal tax (in addition to possible additional state taxes) if withdrawn before age 59½, unless an exception applies.

The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the capabilities of Merrill and/or Bank of America. They are not intended to serve as investment advice, since the availability and effectiveness of any strategy are dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

Investing involves risk, including the possible loss of the principal value invested.

Merrill, its affiliates and financial advisors do not provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

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