

The Benefit of the BENCOR Special Pay Plan

The Special Pay Plan from BENCOR represents a significant retirement benefit for governmental and school district employees with accumulated vacation, sick, or other leave pay, collectively referred to as “Special Pay.” Through this mandatory plan, all eligible employees with accumulated Special Pay will have the contributions automatically made to the Plan by their employer. By making the contributions in this manner, the employee defers any income tax on the contributions until they are withdrawn, and permanently avoids Social Security and Medicare taxes (7.65%) on those contributions.



The contribution limit to a 401(a) Special Pay Plan for 2019 is \$56,000 and is not offset by voluntary contributions to a 403(b) or 457 plan. Additionally, contributions to the Plan are 100% vested to the employee and can be withdrawn at any point in time after the contribution to the Plan. Not only does this enable the employee to save the 7.65% in Social Security and Medicare tax immediately, it also provides an opportunity to manage the withdrawal of the funds, which may reduce income tax liability, based on the individual’s personal circumstances.

Special Pay Plan Example

	<u>Without BENCOR Plan</u>	<u>With BENCOR Plan</u>
Earned Vacation / Sick Pay	\$10,000	\$10,000
Federal Taxes	\$ 2,500	deferred
Social Security	\$ 620	\$ 0
Medicare	\$ 145	\$ 0
Take Home	\$ 6,735	deferred
Retirement Plan Contribution	\$ 0	\$10,000
<u>Tax Savings</u>		
Employee		
■ Social Security and Medicare	None	\$ 765
■ Deferred Income Tax	No	Yes
Employer		
■ Social Security/Medicare Match	None	\$ 765

Employer Tax Savings

In addition to the benefit to the employee, the employer will save the Social Security match on the payroll for this employee, or \$765. When accumulated with all the other retiring employees, this can be a substantial savings for the employer.

About BENCOR, Inc.

Visit us at bencorplans.com

BENCOR is the leading provider of IRS-approved Special Pay and FICA Alternative Plans nationally.

BENCOR first received IRS-approval for these plans in 1994 for FICA Alternative and 1996 for Special Pay.

BENCOR's leadership position has come from providing Industry leading services focused on five key elements:

1. Special Pay and FICA Alternative Plan Experience

Special Pay and FICA Alternative plans are all we do.

2. Low Cost Solution

Our Plans are typically provided at no cost to employers and no cost to active participants.

3. Investment Flexibility

BENCOR utilizes Charles Schwab as the custodian for our plans and provides access to industry-leading Stable Value Funds as well as thousands of mutual funds.

4. Turn-Key Administrative Support

Our plan administration provides the support and experience to minimize the workload on your payroll and HR functions.

5. Employee Communication

BENCOR provides a complete curriculum of materials to support the communication of these plans to your employees. Materials are customized for each employer and include Plan Overviews, Frequently Asked Questions, Easy Access Guides, videos and statements, all complemented by our local Advisors.

