

UTILIZING FRINGE DOLLARS FOR PROFIT-SHARING

Most public works contractors don't know they can offset profit-sharing contributions to a qualified retirement plan.

Fringe dollars contributed to a bona fide trust for the employee's benefit can be considered a profit-sharing allocation. As a result, the fringe dollars "offset" field employees' profit-sharing contribution, allowing plan sponsors to contribute to key non-field employees.

Benefits of Using Fringe Dollars to Offset Profit-Sharing Contributions

- Increased contributions to owners and senior management
- Increased contributions for non-field employees
- Level contributions across employee base
- Can be discretionary from year to year
- Vesting schedule can be added to non-prevailing wage contributions
- Compliant with IRS and DOL regulations

Sample Profit-Sharing Scenario

In the below example, fringe dollars are used to "offset" profit-sharing contributions for field employees, saving the employer the additional contribution expense.

Before: Not Using Fringe Offset

Employee	Profit Sharing Allocation	Fringe Offset	Employer Cost
Owner	\$30,000	N/A	\$30,000
Vice President	\$20,000	N/A	\$20,000
CFO	\$20,000	N/A	\$20,000
Project Manager	\$15,000	N/A	\$20,000
Treasurer	\$0	N/A	\$0
Office Manager	\$0	N/A	\$0
10 Field Employees	\$20,000	N/A	\$20,000

After: Using Fringe Offset

Employee	Profit Sharing Allocation	Fringe Offset	Employer Cost
Owner	\$30,000	N/A	\$30,000
Vice President	\$20,000	N/A	\$20,000
CFO	\$20,000	N/A	\$20,000
Project Manager	\$15,000	N/A	\$15,000
Treasurer	\$10,000	N/A	\$10,000
Office Manager	\$5,000	N/A	\$5,000
10 Field Employees	\$0	\$20,000	\$0

In this example, the employer saves **\$20,000** in additional profit-sharing allocations that allow for greater contributions for non-field employees. The plan could also be designed in the opposite, providing even higher contributions to owners and management.

Having a profit-sharing component allows you to be flexible, permitting different scenarios from year to year while still in compliance with regulations.

Take advantage of what most contractors don't know and utilize fringe benefits the way the law provides. Contact us today to integrate a profit-sharing component into your plan!

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