



For clients who have many employees and are interested in targeting just a small group, the option of utilizing a 401(k) is still possible. Conventional wisdom will lead most plan sponsors to think that this type of plan design is not possible; however, the law is clear in defining coverage requirements. In the below illustration, the client elected to cover two groups of employees, the sales and mechanics. Excluding employees from a retirement plan is possible by job classification. This client was particularly happy with the plan design, as it allowed him to target some employees with added benefits and avoid a costly audit as his total participant count would have been well over 100 at the start of the plan. This plan design will work until the client wants to cover other classes of employees or one of the covered classes has a Highly Compensated Employee.

**ABC COMPANY INC.  
2020 Up-Side-Down 401(k) Plan**

Participant	Job class	Compensation	401(k) Deferral	Profit Sharing	Employer Contribution %	Total Contribution
Employee 96	Mechanic	\$ 3,206.25				
Employee 97	Mechanic	\$ 31,074.00	\$ 1,554			\$ 1,554
Employee 98	Mechanic	\$ 33,876.21	\$ 1,694			\$ 1,694
Employee 99	Mechanic	\$ 35,877.00		\$ 1,794	5%	\$ 1,794
Employee 100	Mechanic	\$ 5,002.50				
Employee 101	Mechanic	\$ 40,305.00	\$ 806			\$ 806
Employee 102	Mechanic	\$ 45,442.56	\$ 1,234	\$ 2,272	5%	\$ 3,506
Employee 103	Mechanic	\$ 30,940.13	\$ 1,547			\$ 1,547
Employee 104	Mechanic	\$ 18,268.80				
Employee 114	Sales	\$ 91,600.08	\$ 5,476	\$ 4,580	5%	\$ 10,056
Employee 115	Sales	\$ 37,603.00	\$ 376			\$ 376
Employee 116	Sales	\$ 62,730.00	\$ 4,391	\$ 3,137	5%	\$ 7,528
Employee 117	Sales	\$ 63,000.00	\$ 4,410	\$ 3,150	5%	\$ 7,560
Other Employees		\$ 3,837,947				
<b>Total</b>		<b>\$ 4,336,873</b>	<b>\$ 21,488</b>	<b>\$ 14,932</b>		<b>\$ 36,420</b>

This illustration is contingent upon several factors. Some of the factors are the demographic, financial and business ownership information provided to us. Should any of these factors change in any year, a plan adopted based on this illustration may require modification to an appropriate plan design.