



SLAVIC **401K**

401(k) Employer Guide

**The Solution for Your
Company's Retirement Plan**

Highlights of the Slavic401k Retirement Savings Plan

1. Plan Custody

Plan funds are held in custody by Fidelity Investments and are traded through the Fidelity platform.

2. Personalized Service

Registered representatives are available to you for investment education. Our customer service department stands ready to process your plan requests.

3. Quality Investment Choices

Highly rated, low-cost funds that provide a broad spectrum of diversified investments and management styles have been selected for the Slavic401k Retirement Savings Plan. This means our participant-investors have access to funds that achieve a wide variety of retirement goals.

4. Specialized Reporting & Record Keeping

The Plan's reporting system provides specialized reports for company owners and plan participants. E-statements are provided for the convenience of each participant. If preferred, statements can be physically mailed to plan participants' homes within 15 days of the end of each quarter.

5. Prototype Plan Document

Slavic401k provides a prototype plan document free of charge, including any necessary amendments.

6. Ease of Access

The Slavic401k Retirement Savings Plan offers a full-featured, mobile responsive web site that allows users to access and make changes to their accounts.

7. Email Express

Upon request, a unique email service is available to all participants. Every Friday afternoon you can receive an email with your 401(k) account balance and a brief commentary on that week's market activity.




Investment Costs

Some of the greatest expenses in a 401(k) plan come from the mutual funds' internal expense ratio. Every mutual fund collects a management fee from the accounts of investors. In addition to this, many funds collect an additional fee and pay it to the broker or advisor who is recommending the fund to an investor. These fees are known as 12b-1 fees. Until fairly recently, these fees weren't clearly disclosed to investors but were instead just included in the expense ratio of the fund. However, these fees add up to quite a bit of money. Fidelity estimates that for every half percent in fees that an investor pays throughout the course of their career, they lose about \$110,000 in future investments. This is why the philosophy of the Slavic401k Retirement Savings Plan is to keep the internal costs of the funds as low as possible without sacrificing performance.

The Slavic401k Retirement Savings Plan uses no-load mutual funds, which do not have a sales charge. Also, for the mutual funds in your investment options that have a 12b-1 or Sub-TA fee, that fee is reimbursed back to the investor. We do this not only because it improves the overall performance of the portfolio, but also because it removes bias in the funds chosen. Rather than recommending funds that will pay, recommendations are based purely on cost and performance. This helps keep your best interest in the forefront.

The Slavic401k Retirement Savings Plan includes index funds as part of the investment options. Index funds are designed to track major market indexes like the S&P 500. This is known as passive management and has been effective in out-performing actively managed mutual funds over long periods of time. In contrast to actively managed funds, index fund managers just maintain the appropriate stock ratios that make up the index, rather than buying and selling as frequently as they do with actively managed funds. These funds have a much lower internal expense, sometimes as low as five hundredths of a percent – a key contributor to overall performance.

These different factors combine to provide the greatest amount of savings for the investor while also providing superior performance to any level of investor, whether experienced or just starting out. If you have questions regarding the cost of the funds in your lineup, call 800-356-3009, and an investment advisor representative will be able to help you.



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Design of the Plan

Client Profile

Generally, a company is a good 401(k) candidate if it has ten or more eligible employees who annually earn an average of \$25,000 or more. Some groups, such as medical or legal practices or smaller groups in which the owner earns very high wages compared to support staff, may also be good candidates if there is a good matching or profit-sharing employer contribution or a "Safe Harbor" provision.

Plan Expenses

The cost of the plan consists of two types of fees: an administrative asset fee which is based on the total dollar amount of the plan; and a fixed per-head administration fee. These fees pay for the compliance, tax reporting and record keeping of the plan. Other per transaction fees for participant distributions and loans are also charged.

The Plan Value

Existing Retirement Plans

The Slavic401k Retirement Savings Plan will accept 401(k) plan assets from most individual plans.

The Technology Suite

The need to have your retirement plan information quickly and accurately is of utmost concern. Participants can access their account information 24 hours a day, 7 days a week through slavic401k.com.

The site is designed for easy access by all participants. Prospectuses and information about the plan are available for download. Participants can also use the website to enroll in the 401(k) plan, submit fund exchange orders and make fund allocation changes. Additionally, the Customer Service Center is available during business hours between 8:30 a.m. – 7:00 p.m. EST. Our representatives can provide investment education, answer participants' questions and execute changes directed in writing or online at slavic401k.com.

Email Express

Upon request, a unique email service is available to each participant. Every Friday, the participant will receive an email with their account balance and a brief message or market commentary.

Sponsor Express

Sponsor Express provides a monthly email summary of plan assets, participants, matching, vesting, profit-sharing contributions and the most commonly used funds.

Matching Contributions

To encourage participation, you can elect to provide matching contributions for your employees. You can match a percentage of participants' 401(k) deferrals each pay period. Studies have shown that plans that do not offer matching contributions have only 30-40 percent participation among eligible employees. With matching contributions, that number jumps to 70-80 percent or higher.

Profit-Sharing Options

There are four types of profit-sharing contribution formulas used by employers.

1. Traditional Method

Also referred to as the "pro-rata method," each participant receives a proportional allocation based on eligible compensation. Contributions can be made in addition to 401(k) contributions.

2. Integrated Allocation Method

Employees who earn in excess of the Social Security Taxable Wage Base accrue no social security retirement benefits on compensation paid in excess of that amount. An integrated profit-sharing contribution allows for an employer to make an additional allocation to employees based on their compensation above the Social Security Taxable Wage Base.

3. Age-Weighted Allocation Method

An age-weighted contribution allows an employer to allocate a contribution based on the compensation and age of the eligible employees.

This method greatly benefits participants that are older and closer to retirement.

4. New Comparability Allocation Method

The new comparability plan, also known as cross-tested, allows the employer to divide the employees into specific groups and allocate the contribution differently to each group. Compliance testing under a new comparability allocation formula is achieved by either testing contributions alone or converting contributions to an Equivalent Benefit Accrual Rate (EBAR) such as in defined benefit plans.

Safe Harbor Plan Design

You can select Safe Harbor Plan design and eliminate the nondiscrimination and top-heavy testing requirements that apply to 401(k) deferrals and matching contributions (average deferral percentage (ADP) and average contribution percentage (ACP) tests.) This means company owners and highly compensated employees (HCEs) can defer the maximum.

The Safe Harbor Provision provides you with two employer contribution options:

1. Safe Harbor Matching Contribution

A fully-vested matching contribution of 100% on the first 3% of employee deferrals, plus 50% on the next 2% deferred.

2. Safe Harbor Profit-Sharing Contribution

A fully-vested non-elective contribution to all eligible employees equivalent to 3% of gross compensation.

If you have an existing plan, you must make your Safe Harbor election prior to the start of the plan year. Notification requirements provide that employees be given written notice of the 401(k) Safe Harbor election at least 30 days prior to the beginning of the plan year.

Design of the Plan

Eligibility Requirements

Standard eligibility is age 21 and one year of service. You may select a service requirement of less than one year and an age requirement of less than 21. Selecting a service requirement of less than one year will make part-time employees eligible to participate after they have met the eligibility requirements.

Standard Vesting

Vesting refers to the portion of an employee's account that is nonforfeitable. Employees are always 100 percent vested in their own contributions. However, employees become vested in your company's contribution based on years of service with your company.

When an employee takes a distribution from the 401(k) plan, unvested company contributions go to your plan's forfeiture account. In future plan years, you can use these dollars towards your company contributions.

401(k) Testing Requirements

For purposes of the 401(k) plan, employees are considered employees of the worksite employer. Each adopting company is individually tested for compliance.



Your 401(k) Plan Vesting Schedule, Unless Otherwise Adopted

Years of Service	Vested %
Less than two	0%
Two	20%
Three	40%
Four	60%
Five	80%
Six	100%

Administration of the Plan

Contribution Limits

Participants can defer up to the maximum allowed under existing regulations, and for individuals over age 50, an additional contribution may be made. Highly Compensated Employees (HCEs) may be limited in the amount they may contribute to the Plan due to IRS non-discrimination rules.

Three Categories of Employees

The following three categories of employees comprise the groups used in testing:

1. Highly Compensated Employees (HCEs):

Employees who own more than five percent of the business, their spouses and lineal relatives. Also, high-income employees in the previous year with the work-site employer.

2. Key Employees:

Employees who own more than five percent of the business, their spouses and lineal relatives. Also, certain shareholders and corporate officers.

3. Non-Highly Compensated Employees (NHCEs):

All eligible employees who are not part of the HCE group.

Controlled Groups

When a group of companies has sufficient common ownership, they form a controlled group. The employees of these companies are treated as if they were employed by a single employer. A controlled group of companies exists if five or fewer individuals have 80 percent or more common ownership, or if a corporation has a controlling interest of at least 80 percent of a subsidiary. Affiliated service groups may not require any common ownership to be treated as a controlled group. A legal opinion should be sought by the client to determine if a controlled group or affiliated service group exists.

Testing of the Plan

ADP and ACP Testing

Special non-discrimination rules apply to 401(k) plans to ensure that deferrals made by HCEs are not disproportionate to deferrals made by rank- and-file employees. Usually a company's HCEs can defer two percent more than the Actual Deferral Percentage (ADP) rate of the NHCEs. Also, as a general rule, a company's HCEs can receive a matching contribution that does not exceed two percent of the Average Contribution Percentage (ACP) rate of the NHCEs. Compensation is pro-rated throughout the calendar year for the purpose of employee deferrals. Therefore, when a plan is adopted mid-year, only compensation earned after the adoption date or eligibility date can be considered.

Top-Heavy

A plan is top-heavy if at least 60 percent of the plan assets are held by key employees on the last day of the preceding plan year (December 31). If a 401(k) plan is top-heavy, the employer is required to make a 3 percent profit-sharing contribution to all eligible non-key employees, whether or not the employees elect to participate. If a plan is top-heavy at the end of the first year of the plan, then the 3 percent profit-sharing contribution is required for that year and the following year as well.



Checklist for the Plan

You may request a preliminary plan recommendation by sending the Plan Evaluation Survey to Slavic401k. A representative will contact you to discuss your retirement plan options. The following documents will need to be completed to set up the 401(k) plan:

- ☐ 1. Plan Evaluation Survey
- ☐ 2. Adoption Agreement
- ☐ 3. Adoption Resolution
- ☐ 4. Prior year ADP/ACP & top-heavy test results
(If the company has an existing 401(k) plan)
- ☐ 5. Employee Enrollments (online or via paper form)

About Slavic401k

Slavic Investment Group

Slavic Integrated Administration (SIA) DBA Slavic401k and PlanRight

SIA serves as a Third Party Administrator to qualified retirement plans. SIA was founded in 1995 to concentrate on Multiple Employer Plan administration and compliance. It contains the systems, staff and expertise necessary to meld and deliver a fully bundled 401(k) plan product. Using FIS Relius software, along with proprietary trading and web-enabled systems, complete service is provided to both employers and participants.

Slavic Mutual Funds Management Corporation (SMF)

As an SEC registered investment advisor and named 3(21) plan fiduciary, SMF offers investment education to Slavic401k plan participants.

Depository Services, Inc. (DSI)

Depository Services, Inc. (DSI) is a collective plan trust bank account utilized for processing contributions and participant-directed transactions.

Funds remain in this account only on a short-term basis, as they are forwarded to mutual funds for trades or disbursed to participants for distributions, loans and rollovers. No interest is paid on the float, and no fees are charged to participants for use of this account.

SSAE18 Audited

Founded in 1995, Slavic401k administers Defined Contribution Plans as third-party administrator working in conjunction with SMF and SIC. The record keeping function of the plan is the responsibility of Slavic401k. The record keeping services performed adhere to the guidelines contained in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70 entitled "Service Organizations" as amended by AICPA Statement on Auditing Standards No. 88 entitled "Service Organizations and Reporting on Consistency."

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We understand the stewardship and responsibility to manage Slavic401k Retirement Savings Plan participant accounts prudently and cost effectively, not only today, but for the future of every investor.

John Slavic

President, Slavic401k

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