

Money Purchase Pension

The Employer establishes a contribution rate, generally between 1% and 25% of compensation. Once the contribution formula is established, a formal amendment to the plan must be completed to change the formula. In addition to the Employer contribution, some plans allow for after tax participant contributions. These plans can also be established without any employer contribution, only after tax employee contributions. These programs are referred to as Thrift Plans. Thrift Plans are not very popular today because of the widespread use of pre-tax deferrals through 401K Plans.