

What your salary should be, and what the retirement plan does to the answer.

Everybody arrives at this conversation expecting to be told to pay themselves less. We are going to tell you the opposite, and show you the arithmetic that gets there — because your salary is not only a payroll tax question, it is the base your retirement plan is built on.

ILLUSTRATIVE SAMPLE · NOT A CLIENT FILE

THREE POSITIONS ON \$540,000 OF PROFIT

Side by side

AS FILED 2025

\$110,000

Payroll tax	\$16,830
Plan room	\$27,500
Left as distribution	\$394,085

INDUSTRY SURVEY MIDPOINT

\$232,000

Payroll tax	\$29,606
Plan room	\$58,000
Left as distribution	\$235,197

OUR RECOMMENDATION

\$260,000

Payroll tax	\$30,508
Plan room	\$65,000
Left as distribution	\$199,746

THE PART NOBODY SHOWS YOU

What the move actually costs and buys

	AMOUNT
Additional payroll tax, salary \$110,000 → \$260,000	(13,678)
Additional employer plan room unlocked	37,500
Value of that deduction at a 37% marginal rate	13,875
Net federal tax effect	197

THE HONEST ANSWER

On tax alone this is close to a wash. That is not the reason to do it.

The extra payroll tax is almost exactly offset by the deduction the larger plan contribution buys. What you actually get for the trade is \$37,500 a year moved into a retirement plan instead of left sitting as a distribution — and the one number the IRS looks at hardest on a closely held S corporation becomes defensible instead of indefensible.

A firm that tells you this saves you thousands in tax is selling you something. It does not. It buys you funded retirement and a position you can support, for roughly the cost of the payroll tax you were avoiding.

Two things specific to a practice like yours. Dentistry is a specified service trade, so above the income threshold the qualified business income deduction is fully phased out. It does not move with salary here, and any analysis that credits you with QBI on these numbers is wrong. Second, above the Social Security wage base the marginal payroll cost on additional salary is Medicare only — which is exactly why the \$150,000 salary increase costs \$13,678 rather than the \$23,000 a straight 15.3% would suggest.

Every figure on this page is illustrative. Wage bases, contribution limits and thresholds move each year. In a live engagement each one carries its source and the year it applies to.

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