

Innovative Retirement Plans for Professionals and Small Businesses

Defined Benefit Plans

Traditional Defined Benefit Plans

Defined benefit plans provide owners the opportunity to accumulate a substantial retirement benefit.



Advantages

- Larger contributions for older participants
- Large Tax deductions
- Availability of life insurance with tax-deductible premiums

Considerations

- Annual contributions/premiums are required
- Investment experience impacts contributions

Traditional DB Plan Sample Contribution Comparison

401(k)-Profit Sharing-Defined Benefit

- Business owner age 55 • Compensation \$265,000
- No Employees • First year maximum
- Retirement age 62 contribution

401(k) Plan	\$18,000 / \$6,000 catch-up
Profit Sharing	\$53,000
Traditional Defined Benefit Plan	\$182,392

Contributions are for illustration purposes only, and actual contributions may vary. Contributions are calculated based upon the businesses census data, number of employees, etc.

Annual contributions for defined benefit plans (*traditional and fully insured DB plans*) are required. Annual contributions for 401(k) and Profit Sharing are discretionary.

Fully Insured Defined Benefit Plans

412(e)(3) Fully Insured plans are retirement plans funded solely with pension qualifying insurance products. Plans can be funded with life and annuity products or annuity only.

Advantages

- Guaranteed benefits (provided annual, level premiums have been paid)
- Larger contributions for older participants
- Tax deductions
- Availability of life insurance with tax-deductible premiums

Considerations

- Annual contributions/premiums are required
- Premiums must not be in default
- Participant loans not permitted

Sample Contribution Comparison

- Business owner age 55 • Compensation \$265,000
- No Employees • First year contribution
- Retirement age 62

401(k) Plan	\$18,000 / \$6,000 catch-up
Profit Sharing	\$53,000
Traditional Defined Benefit	\$182,392
412(e)(3) Fully Insured	\$307,257

National Pension Partners provides plan design and third party administration services to pension plans as outlined in a separate engagement of Services Agreement, and will assist with the selection of qualifying life insurance and annuity pension products that may be used as funding options.