

412(e) RETIREMENT BUSINESS PLANS For Business Owners and Their Employees

You have focused your attention on building a successful business. Now that you have achieved your goals, the next logical step is to plan for the retirement you have always dreamed of. A 412(e) defined benefit plan can help you accumulate the assets you'll need for a long and active retirement.

A 412(e) plan is a “fully insured” qualified defined benefit pension plan guaranteed¹ with fixed annuity and whole life insurance contracts. These plans are attractive to business owners who:

- Are age 45 and older with solid future income potential
- Were unable to save in the early years of their careers, but now are anticipating stable business profits
- Have fewer than five employees, are at least 45 years old or within 10 years of retirement, and who are older than any of the company's employees
- Have companies that can benefit from a larger tax deduction than a traditional defined benefit plan can provide

Benefits of 412(e) plans include:

- The ability to maximize tax-deductible contributions
- The ability to purchase needed life insurance coverage on a tax-advantaged basis²
- The elimination of stock market fluctuations
- Generally, lower plan administration costs than other defined benefit plans

Advantages of 412(e) Plans

- **Tax advantaged** – Initial premiums/contributions for 412(e) plans potentially can be significant. These contributions are tax-deductible³, and assets grow on a tax-deferred basis.^{3, 4}
- **Predictable contributions** – As opposed to other types of defined benefit plans with variable benchmarks, 412(e) contribution calculations are based on the insurance product's minimum guaranteed interest rate, which generally does not change.
- **Easier and less expensive to maintain** – Compared to other defined benefit plans, the 412(e) is less expensive to maintain because, among other things, yearly actuarial certification is not needed.
- **Greater creditor protection** – Qualified plan assets are generally protected from creditor claims. Since 412(e) plans allow for larger contributions than other qualified plans, more assets potentially can be protected.

- **Simplicity** – The cash value within individual policies and contracts represents each participant’s benefit under the plan. This adds to the plan’s simplicity of plan administration and certainty of adequate funding.

¹ Guarantees are contingent on the claims-paying ability of the issuing life insurance company.

² The economic benefit of the life insurance protection is taxable annually.

³ This is also true of other types of qualified retirement plans.

⁴ This is also true of life insurance and annuity contracts purchased on a “non-qualified” basis.

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