MAXIMIZING RETIREMENT PLAN CONTRIBUTIONS

Presented by:

Benefit Strategies Group, LLC

5957 So. Redwood Road

Salt Lake City, UT 84123

(801) 264-8887

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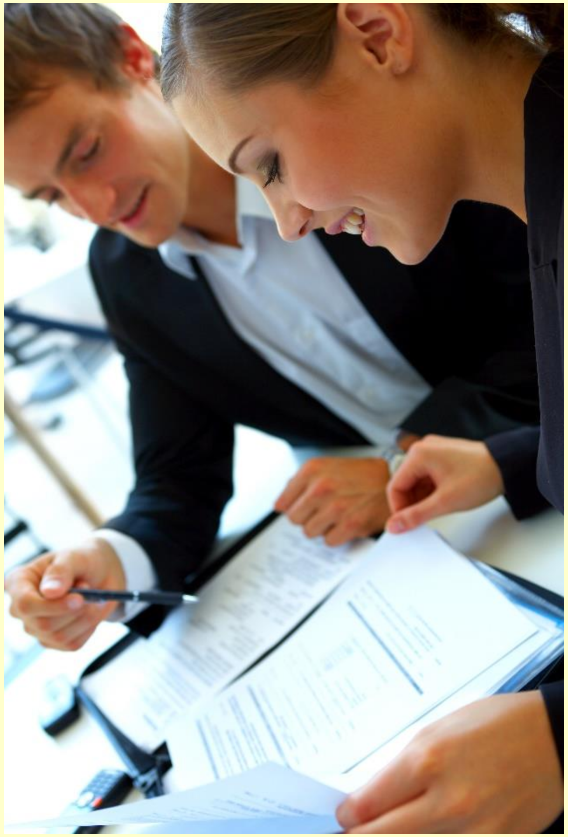
HOW TO MAXIMIZE

TAX-DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS FOR A SMALL BUSINESS OR PROFESSIONAL PRACTICE.

CONSIDERATIONS

- Owners of a small business or professional practice are not required to provide retirement plan benefits.
- Whether to offer such benefits is an economic decision, and should consider the retention of valuable employees.
- Congress has provided tax preferences for retirement plans and such plans remain an excellent means of deferring taxes.
- Many businesses have chosen to provide a defined contribution / 401(k) (DC) plan for their employees, but such plans do not adequately provide for business owners.



OPPORTUNITY

- Employer contributions accruing to the benefit of the owners under a retirement plan should be greater than the amount the owners would retain if they were to distribute all profits.
- One of Congress' overlooked tax preferences is to allow a defined benefit on top of a defined contribution / 401(k) plan, and benefits may be offset by benefits already accrued under the DC plan.
- This opens the door to establishing a defined benefit plan which will primarily benefit business owners.

WHO CAN ADOPT?

Choices Available:

- Sole Proprietorship
- Partnership
- Limited Liability Company
- “S” Corporation
- “C” Corporation
- Other:

  Non-profit

  Governmental

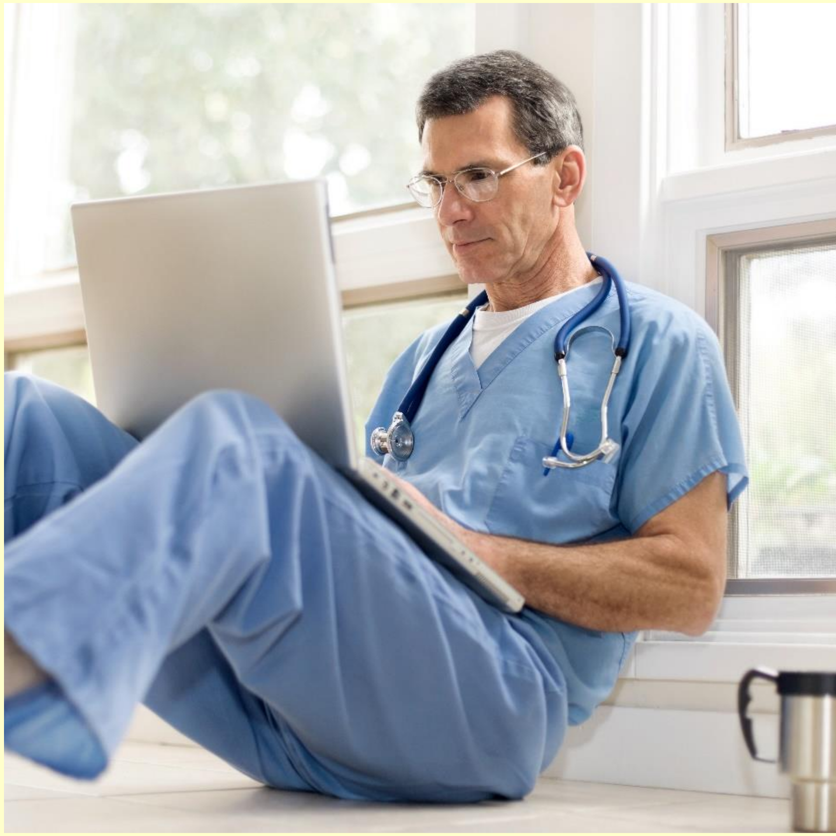
RETIREMENT PLAN DESIGN

Owner's Current Income:

Equipment lease	$100,000
Practice salary	160,000
Total	$260,000

Goal:

Set aside as much as possible



DEFINED CONTRIBUTION PLAN

Maximum Contributions (2014):

401(k) Plan	$17,500
Profit Sharing Plan	34,500
Max. deduction	$52,000

DEFINED BENEFIT PLAN

Contribution limits are actuarially determined based upon the cost of funding the future benefits.

Maximum Contribution (age 58):

Maximum deduction	$ 210,738
Extra deduction	$ 158,738

in excess of defined contribution

COST FOR EMPLOYEES

- In most cases, business owners can receive substantial benefits from a defined benefit plan, while continuing to provide only the same contributions to the DC plan that the employer was already making.

DISTRIBUTION RULES

Qualified Plan Distribution Rules:

- Funds not available in lump sum until age 59-1/2 without penalty.
- Distributions must begin by year following age 70-1/2.
- Distributions may not exceed $210,000 per year without penalty (2014).
- Penalty is 10% of taxable amount.

ADVANTAGES

Defined benefit plan:

- Large tax-deductions, allow owner to defer income.
- In case of business sale, owner can be softer on price or terms if part of payout for practice comes from DB plan.
- Ability to control year of taxation and distribution.

BSG
Actuaries Consultants Administrators

Benefit Strategies Group, LLC
5957 So. Redwood Road
Salt Lake City, UT 84123
(801) 264-8887 Phone
(801) 264-9811 FAX
www.bsg-benefits.com