PLANGEN™ 412(e)(3): Fully Insured Defined Benefit Pension Plan

<u>Saving for retirement is a challenge faced by many small business owners.</u>

Even if there is the discipline to save, investment risks associated with global economic insecurity and an unpredictable stock market threaten to break the nest egg. When people set their sights on a certain lifestyle in retirement, they need to know that they can achieve their goals and be certain that their retirement income will continue for their lifetimes.

The Fully Insured 412(e)(3) Pension can be the answer for successful small businesses, because it is a plan designed to guarantee a predictable revenue stream.

DESIGN	By law, Fully Insured Plans have predictable contributions and are funded entirely by Life Insurance and Annuity products which deliver guaranteed principal, guaranteed returns and guaranteed life income.
PLAN	Plans are "self-completing" - should a participant die while still working, existing savings are multiplied to create an immediate, tax free benefit for their beneficiaries equaling the projected total future plan accumulations at normal retirement age, less any accumulated funds existing within the plan.
BENEFIT	412(e)(3) plans can provide substantial retirement income benefits with a choice between monthly payment or a lump sum payout and may also allow for multiple life insurance policy administration options upon retirement.

<u>Fully Insured Plan Advantages</u>

- All private sector employers can adopt a 412(e)(3) Plan, regardless of corporate designation.
- Guaranteed life and retirement benefits with protection from periodic stock market risks.
- Employer contributions to a 412(e)(3) plan are generally tax deductible and assets grow tax-deferred.
- Exempt from minimum funding rules and easier to administer than traditional defined benefit plans
- Significant planning options, including supplemental income, IRA rollovers and multiple life estate strategies.

412(e)(3) Fully Insured Pension Plans have been **approved business strategies** for decades and are a time-tested way for small business owners to provide significant, guaranteed outcomes for themselves and their employees. Plans are specifically designed to **shift life income guarantees** away from the employer and plan participants, and onto the insurance companies whose products are used to fund the programs. The mandated use of state approved annuities and life insurance policies **eliminates the potential loss** of principal assets and also allows for contributions which are the largest available by law in a qualified retirement plan. Funds are held in accounts dedicated to each participant and may accrue guaranteed pre-retirement assisted living benefits and death benefits, as well as guaranteed life income benefits which can be accessed at retirement as a monthly payout or as a one-time tax-deferred rollover to a qualified IRA account.

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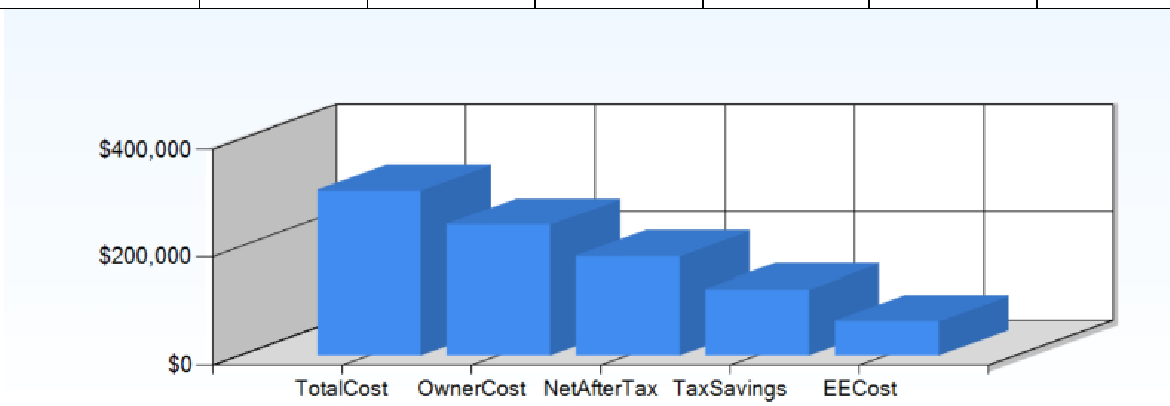
CASE STUDY - Cynthia has a productive, closely held consulting firm. She is 50 years old and takes a salary of $300,000. She shares the business with a junior partner making $100,000 and they have three additional employees with an average compensation of $46,000 and an average age of 36. Cynthia and her partner would like to see the company fund a retirement plan for its employees. They would like to be able to save more than is currently allowed in a profit sharing plan and still be able to afford meaningful benefits for their employees. They would also like to have significant life insurance coverage in place, so that if someone should pass away or experience critical, chronic, or terminal illness during their working years, their families will have protection from the financial hardship associated with the loss of their income.

The plan implemented by Cynthia's company will provide her with the security that she seeks by offering a $3.2 million life insurance policy that can also include rider benefits that provide protections in the event of her pre-age 65 critical, chronic, or terminal illness. At retirement, the plan will have accumulated $2.5 million in assets which can promise her an income of $11,400 per month. She will also have a variety of benefit distribution strategies available to her. When Cynthia retires, depending on her situation at that time, she can make decisions about how she will receive her income stream and her needs for life insurance benefits.

Section 412(e)(3) Fully Insured Retirement Plans maximize the efficiency, control and safety of the conversion of pre-tax small business earnings to guaranteed life income.

Plan Type	Total Cost	Owner Contribution	Net After-Tax Cost	Tax Savings	Employee Cost	Net Cost less Owner Contribution
(DB) 412(e)(3) Defined Benefit	$305,395	$241,777	$183,237	$122,158	$63,617	-$58,541



**Assuming a tax rate of 40%*

Qualified candidates for 412(e)(3) plans should have between five to ten years in which to accumulate funds for retirement. Employers should to expect to make regular contributions to the plan while it is in effect. Life insurance policies may accrue dividends which will be used to reduce annual premiums while the annuity contract will require level contributions each year. Participants will have temporary annual tax costs associated with the current economic value of the death benefits and cash values in life insurance policies which are recovered when future policy distributions are received at retirement. A for-fee Plan Administrator will be retained by the plan sponsor, to handle annual valuation and filings.