



The Pension Experts

M Pain Management

# PRELIMINARY RETIREMENT PLAN PROPOSAL

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NRA age 62 years or 5 years' Participation

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## **Introduction**

Retirement is a vital component of any solid financial plan. At National Pension Partners, our goal is to provide you with a retirement plan that is suited to your situation and will achieve your goals within your budget. A comfortable, financially secure retirement is the reward for many years of sacrifice and hard work. It may also be needed at a time when even minor health issues reduce one's capacity or energy to sustain a small business. Our plans allow for some flexibility, but it is vital that we work closely with you and your CPA to make changes on a proactive basis. The proposal presented here is a place to start a detailed discussion of your goals and concerns.

This retirement program has three elements:

The first is a 401(k) Plan. This plan allows employees to defer from income tax part of their compensation up to \$17,500 until they reach age 50. At age 50, in addition to the \$17,500 regular salary deferral, the law allows a catch up contribution of \$6,500. The company may contribute to this plan. The investments are primarily mutual funds.

The second element is a profit sharing plan. This plan must be made available to all participants who are not in the defined benefit plan. Contributions are generally 7.5% of pay.

The third element is a defined benefit plan. This plan is designed for a key group of employees, no less than 40% of the eligible employee. This plan will provide a guaranteed income for life beginning at normal retirement age or a lump sum

distribution. Currently, the law mandates that Normal Retirement Age cannot be less than age 62 to 65 or 5 years of participation. This plan is funded with guaranteed pension annuities. The pension annuities must meet the specifications of the Internal Revenue Service and the Department of Labor. The contracts offered by the insurance carrier must have a guaranteed rate. The plan may also have guaranteed death benefits as long as they comply with Revenue Ruling 74-307.

The plan may actually earn more or less than 3%, but we use that assumption in designing the plan. This combination of the pension plan with the 401(k) Profit Sharing plan will generally provide the optimal tax deduction and the most secure retirement program for you and your family.

**Preliminary Retirement Plan Proposal  
Plan Year Beginning January 1, 2013**

EMPLOYEE NAME	ELIGIBLE COMPENSATION	ELECTIVE DEFERRAL	EMPLOYER PROFIT SHARING CONTRIBUTION	EMPLOYER GUARANTEED PENSION CONTRIBUTION	TOTAL CONTRIBUTION
Dr. Ryan	328,846	17,500		109,872	127,372
Dr. Michael	329,803	24,000		311,811	335,811
Elizabeth	19,723			14,879	14,879
Abel	19,423			5,848	5,848
Alicia	23,251			7,736	7,736
Tammi	23,333			9,088	9,088
Brenda	27,905			10,347	10,347
Carolyn	67,261		5,045		5,045
Holly	53,338		4,000		4,000
Marcella	94,495		7,087		7,087
Margaret	87,898		6,592		6,592
MaryAnn	28,797		2,160		2,160
Roxie	19,994		1,500		1,500
Ruby	21,462		1,610		1,610
Stacy	24,574		1,843		1,843
Tammy	26,792		2,009		2,009
Valeriah	83,668		6,275		6,275
<b>Total Contributions</b>					<b>549,202</b>

**Estimated 5 year tax deferral-\$1,728,615**

TAX SAVINGS	
Retirement Contribution	549,202
Federal @ 39.6%	217,484
State (Michigan) @ 4.25%	23,341
FICA, Medicare, etc. @ 19.1%	104,898
<b>Total</b>	<b>345,723</b>

Optimal salary for retirement benefits is \$205,000 in 2013 (reduced 10% each year funding is less than 10 years). Optimal salary for testing is \$255,000 Only 40% of employees need to be in the DB plan-401(a) (26)

## **Key Elements of Retirement Plans**

Based on the data we received, we created this plan design as an initial proposal. This does not include every alternative. It is offered as a place to start our exploration of your goals and concerns. Each plan may operate collectively or independently.

This plan has three key elements to maximize your tax deduction and to provide a secure retirement.

**The first element is a 401(k) employee contribution-**the maximum contribution is \$17,500-however you may contribute an additional \$6,500 if over age 50.

**The second element is a profit sharing plan-** which you can contribute 6% of pay or 25% of pay if the defined benefit plan is covered by the PBGC with a maximum contribution of \$51,000.

**The third element is a fully guaranteed defined benefit plan-** to provide retirement security in the form of a guaranteed monthly income.

401(k) Elective deferrals are considered employee contributions and are subject to Social Security and Medicare taxes. 401(k) contributions are excluded for State and Federal Income Tax purposes.

The actual compensation can exceed this amount. For purposes of this plan design, considered compensation for testing the calculation is limited to \$255,000 in 2013.

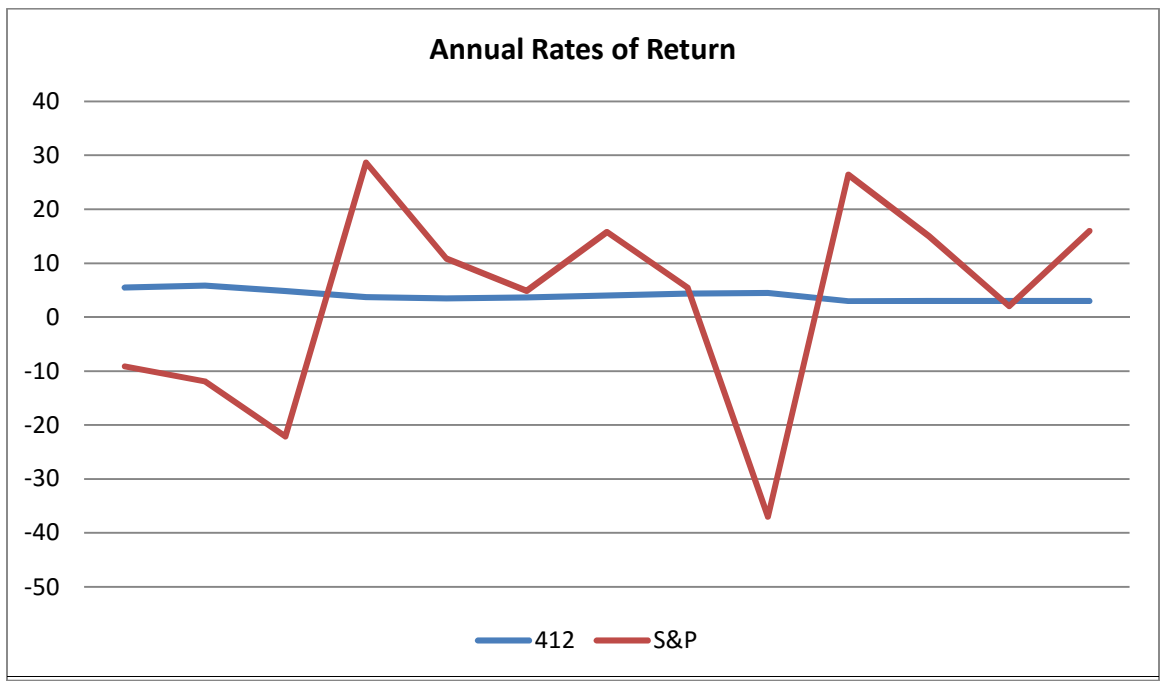
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# Pension Investments-Guaranteed Retirement v. S+P 500

## Pension Annuity vs. S&P 500

Comparison of Pension Annuity and the S&P 500 since the year 2000

	Contribution	Running Total Pension Annuity	Rate	Contribution	Running Total S&P 500	Rate
2000	100,000	105,550	5.55	100,000	90,860	-9.10
2001	100,000	217,575	5.85	100,000	168,202	-11.89
2002	100,000	332,997	4.85	100,000	208,130	-22.10
2003	100,000	449,018	3.70	100,000	397,542	28.69
2004	100,000	568,233	3.50	100,000	551,710	10.88
2005	100,000	692,623	3.65	100,000	683,709	4.91
2006	100,000	824,372	4.00	100,000	907,456	15.79
2007	100,000	964,535	4.35	100,000	1,062,745	5.49
2008	100,000	1,112,439	4.50	100,000	669,529	-37
2009	100,000	1,245,812	3.00	100,000	943,606	26.46
2010	100,000	1,386,186	3.00	100,000	1,085,713	15.06
2011	100,000	1,427,777	3.00	100,000	1,107,970	2.05
2012	100,000	1,470,610	3.00	100,000	1,285,245	16.00



**KEY EMPLOYEE PENSION BENEFITS ONLY**  
**Plan Year Beginning January 1, 2013**

Retirement age 62

EMPLOYEE NAME	SALARY	MONTHLY BENEFIT	LUMP SUM	DEATH BENEFIT
Dr. Ryan	328,846	17,083	3,942,611	1,708,333
Dr. Michael	329,803	17,083	3,942,611	1,708,333
Elizabeth	19,723	1,321	304,941	132,131
Abel	19,423	1,301	300,296	130,118
Alicia	23,251	1,558	359,491	155,767
Tammi	23,333	1,563	360,753	156,314
Brenda	27,905	1,869	431,452	186,948

Benefits cannot be above the maximum Section 415 limit. Benefits at this level will not increase unless there is a COLA adjustment. Contributions may decrease if the plan earns more than the guaranteed crediting rate. Contributions could also increase if the maximum benefit or considered compensation levels increase. Additional employees may increase employee costs. You must consider the vesting and participation rules carefully.

## Preliminary study

- Pension contributions may vary in the final plan design. Younger participants have more time to fund. Death benefits follow the IRS guidelines for a QPSA under Revenue Ruling 74-307.
- Disability benefits are based on accruals in the plan at the time of disability.
- Lifetime income is mandatory while the plan is active. A lump sum may be taken at termination.
- Funds within the plan grow at 3% per year, or the crediting/dividend rate (current declared interest or dividend rate) of the insurance company, whichever is greater. A lower crediting rate increases the contribution.
- Death benefits are contingent upon passing a physical.

These benefits do not include benefits you may receive from a 401(k)/Profit Sharing Plan, which are not guaranteed. The plan is funded with annuity and/or life insurance contracts and the assets are protected within limits by the National Organization of Life and Health Guarantee Association. Visit [www.nolhga.org](http://www.nolhga.org)

Tax savings in a qualified plan can be substantial. In addition, this plan falls under Title One of ERISA and is not subject to bankruptcy, garnishment or attachment.

Your plan is subject to the rules of the Internal Revenue Service, the Department of Labor, the Employee Benefit Security Administration, and the PBGC.

This proposal is for discussion only. The final plan design may vary based on further conversions and the choice of the insurance carrier. Although the minimum allocation aggregation gateway has been satisfied, 401(a)-4 must pass independently.