

The business owner and her tax advisor had no idea what a Fully-Insured DB or traditional DB plan was and that she could “Carve” out 60% of the fulltime EEs into the profit sharing plan.

National Pension Partners the “Online Pension Experts” has helped a number of Financial and Tax Advisors add value for clients who are Successful business owners or medical practitioners of all types. In December of 2013, an independent advisor came to us with this situation:

An advisors client, (we’ll call her Jill), aged 61 had a home health care business with 297 EEs and all but 17 were part time, working only 3 to 4 hour per day 4 to 5 days a week. Like many business owners she too believe the myth “My business is my retirement” which as many find, may or may not be true. Over the years she had put all her money back into building the business as many business owners do. She now realized her business was almost her only retirement asset. Her income from the business had grown over \$450,000 over the last 7 or 8 years and taxes were now becoming a huge burden.

The advisor found out about Jill’s concern over taxes an retirement and began looking for a strategy. The advisor gave NPP a call and found that she was great candidate for a “Custom Carve Out” or cross tested Fully-Insured Defined Benefit Plan (FIDB). In this strategy a FIDB is combined with a Profit Sharing plan and 401(k).

Why?

- Lots of part time EEs and few fulltime EEs
- High-income earner
- Older business owner with much younger fulltime EEs
- The owners kids were full time EEs of the business
- Fairly low life style/living expenses



Jill and her tax advisor had no idea what a DB plan or a Fully-Insured DB plan was and that she could “Carve” out 60% of the fulltime EEs to the profit sharing plan. NPP helped the advisor and tax advisor establish a Fully-Insured Defined Benefit (FIDB) plan and a Profit Sharing /401(k) combo allowing Jill to maximize her contribution to her retirement in 2014:

- She put over \$300,000 into a Fully-Insured DB and profit sharing plan of which over \$220,000 went into the DB plan for her and another \$24,000 in a 401(k) based on her W2 income and her net income of a little over \$450,000.
- She has accelerated her accumulation retirement assets and reduced her taxable income, saving federal and state income taxes.
- **If she keeps the plans for the next 5 years, she will have accumulated more than \$1,128,000 in the FIDB plan alone, and deferred an estimated \$767,000 in taxes across both plans.**

If you have a client like this, go to our website to learn more or contact us at 1-877-252-1692 for a custom proposal.