MODERN PENSION PLANNING

QUALIFIED & NON-QUALIFIED STRATEGIES FOR BUSINESS OWNERS

RTB ADVISORS

PLAN • INVEST • PROTECT

SPEAKER: **ADAM BAR, CLF, CEPA**

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Today's Discussion

- The Business Owner Reality
- The Accounting Pro Challenge
- Plans at a Glance
- Modern Pension Plans
- Plan Advantages & Disadvantages
- Retirement Comparisons
- Case Studies
- Process
- Next Steps

The Business Owner Reality

Taxes, Cashflow, Expenses & Business Exposures

Concentrated Business Risk, Little to no Diversification

Lack of integrated planning for Small Businesses

Lack of Exit Plan, Retirement & Succession

THINK ABOUT IT

If you aim at nothing, you will hit it with amazing accuracy.

ZIG ZIGLAR

The Accounting Pro Challenge

Time, Deadlines, Changes and Client Exposures

Lack of control, Technology/AI Advancements

No Advanced team of Trusted Specialists, Little / No Updates

Clients Expect Proactive Tax Savings Strategies & Implementation

Proactive Tax Planning & Implementation Team

GOALS. STRATEGIES. TOOLS

RAISE THE BAR

The DAAD TEST

Large Deductions

Accumulation

Asset Protection

Distribution

Defined Benefit, & Modern Pension Plans

- Qualified Plans approved by the IRS
- Contributions are tax-deductible
- Contributions & Accumulation are tax-deferred
- Flexibility of Financial Tools in Plan
- Plan for Exit of Plan with tax efficiency / arbitrage
- Contributions are based on age, income, and years to retirement.
- Best for high-earning small businesses with less than ten employees.
- 401k Plans can remain intact if already active for the company.

Which Plan would You Choose? DC/DB?

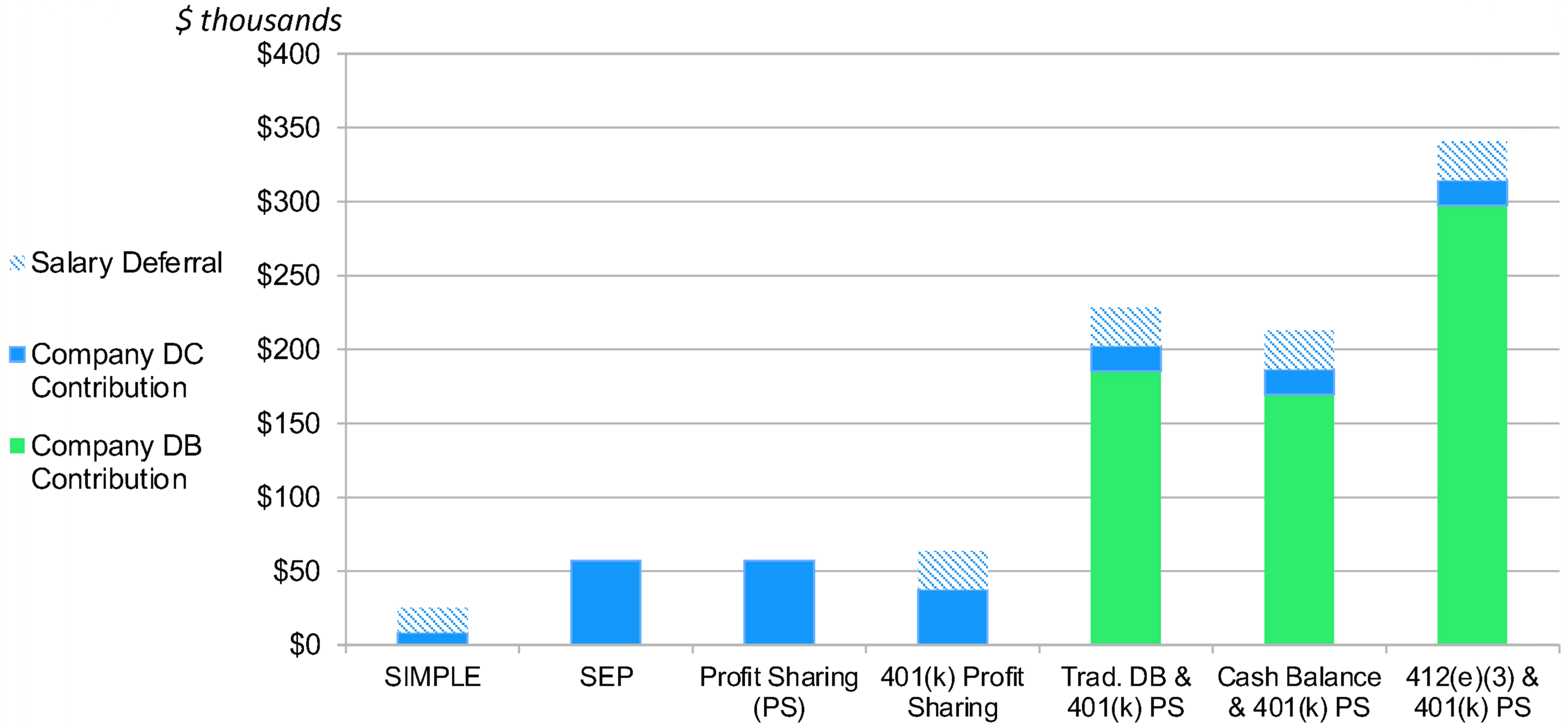
Owner Age	30	35	40	45	50	55	60
Salary	$305,000	$305,000	$305,000	$305,000	$305,000	$305,000	$305,000
RETIREMENT PLAN OPTIONS							
SIMPLE Salary Deferrals	$14,000	$14,000	$14,000	$14,000	$17,000	$17,000	$17,000
401(k) Salary Deferrals	$20,500	$20,500	$20,500	$20,500	$27,000	$27,000	$27,000
SEP	$61,000	$61,000	$61,000	$61,000	$61,000	$61,000	$61,000
401(k) Profit Sharing Plan	$61,000	$61,000	$61,000	$61,000	$67,500	$67,500	$67,500
Defined Benefit Pension Plan*	$139,664	$164,201	$159,368	$192,084	$242,099	$305,341	$309,707**
Cash Balance	$67,267	$86,130	$110,331	$141,397	$181,291	$232,539	$298,386
412(e) Defined Benefit Plan*	$115,398	$139,482	$173,967	$228,270	$335,432	$418,614	$400,417**

* assumes retirement age of 62

** assumes retirement age of 65

Contributions are sample illustrations, and actual contributions may vary.
Contributions are calculated based upon individual census data.
Values as of 01/01/2022.

Side by Side Deductions & Savings



	SIMPLE	SEP	Profit Sharing (PS)	401(k) Profit Sharing	Trad. DB & 401(k) PS	Cash Balance & 401(k) PS	412(e)(3) & 401(k) PS
Total	**$25,050**	**$57,000**	**$57,000**	**$63,500**	**$228,290**	**$212,455**	**$340,390**
Tax Savings (40%)	$10,020	$22,800	$22,800	$25,400	$82,802	$84,982	$136,156

Considerations: Flexibility, life insurance investments, contribution / deduction amounts

Defined Benefit Plans

PRINCIPAL ADVANTAGES

- Defined Benefit plans offer significantly higher contribution limits
- They provide greater certainty of achieving retirement goals
- Generally, owners receive higher benefits than rank-and-file employees
- The broad range of allowable contributions provides some flexibility
- Contributions can be made irrespective of the current salary
- Asset Protected

PRINCIPAL DISADVANTAGES

- Relatively complex and less understood
- Employees underappreciation
- Requires minimum employer contributions

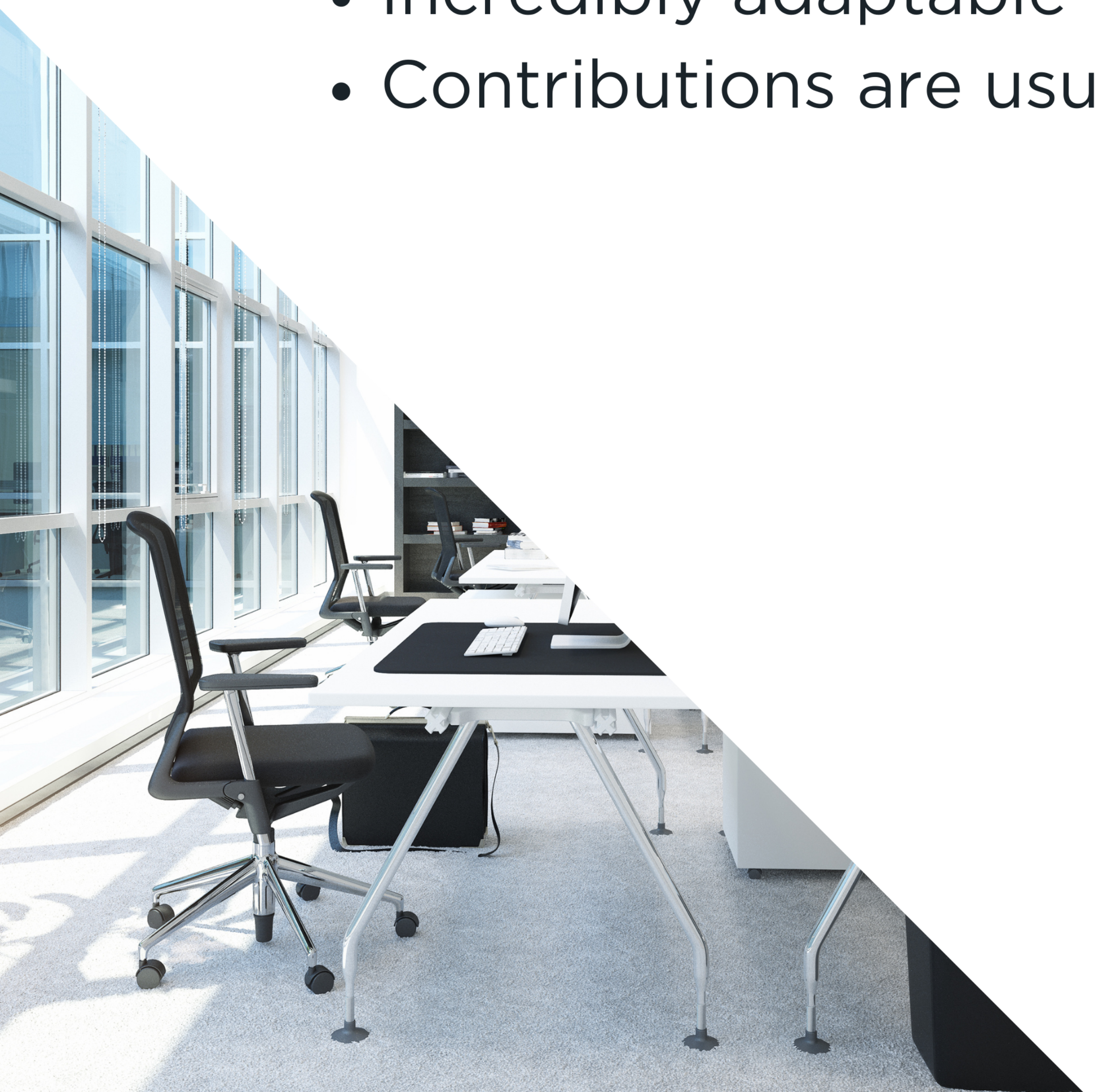
Profit Sharing / 401(k) Plans

PRINCIPAL ADVANTAGES

- Highly valued by employees
- Simple to comprehend
- Incredibly adaptable
- Contributions are usually optional

PRINCIPAL DISADVANTAGES

- Constrained by low contribution limits
- Not intended as a plan specifically for owners
- Challenging to amass substantial retirement savings within a limited timeframe
- Requires a high level of current compensation to optimize contributions.



412(e)(3)

412(e)(3) Fully Insured plans are retirement plans funded solely with insurance instruments. Plans can be funded with life and annuity plans or annuity only.

Sample Contribution Comparison

- Owner, age 55
- Compensation $330,000
- No Employees
- First year contribution
- Retirement age 62

401(k) Plan **$22,500 / $7,500 catch-up**
Profit Sharing **$66,000**
Traditional Defined Benefit **$300,477**
412(e)(3) Fully Insured **$428,014**

Advantages

- Guaranteed benefits (provided annual, level premiums have been paid).
- Larger contributions for older participants.
- Substantial Tax deductions.
- Availability of life insurance with tax-deductible premiums.

Disadvantages/Considerations

- Annual contributions/premiums are required.
- Premiums must not be in default.
- Participant loans not permitted.

Comparison DC & DB

DEFINED CONTRIBUTION		DEFINED BENEFIT
Lump Sum Accrued	Retirement Benefit	Lump Sum or Annual Benefit at Retirement
Employer & Employees	Contributions	Employer
Employer and/or Employee	Investment Decisions / Risk	Employer
Individual Accounts	Accounts	One Account for All
SEP, Profit Sharing, 401(k)	Plan Types	Traditional DB, Cash Balance, 412(e)(3)

Compensation Reference Chart

Entity Type	Source of Income	Compensation for Plan
Corporation	W-2 Income	W-2 Income
S-Corporation	W-2 Income + Schedule K-1	W-2 Income Only
Sole Proprietorship	Schedule C (net profit)	Earned Income (calculate*)
Partnership	Schedule K-1 (net profit)	Earned Income (calculate*)

Limited Liability Company (LLC) — compensation for plan depends on how LLC is taxed. See above for partnership or corporation rules.
Employees, other than owners, are paid W-2 income for all entity types.
* Earned Income = net profit minus ½ self employment tax minus plan contribution. Deductions for sole proprietors and partners are limited to net profit minus ½ self-employment tax.

SEP Pros/Cons & Oversight

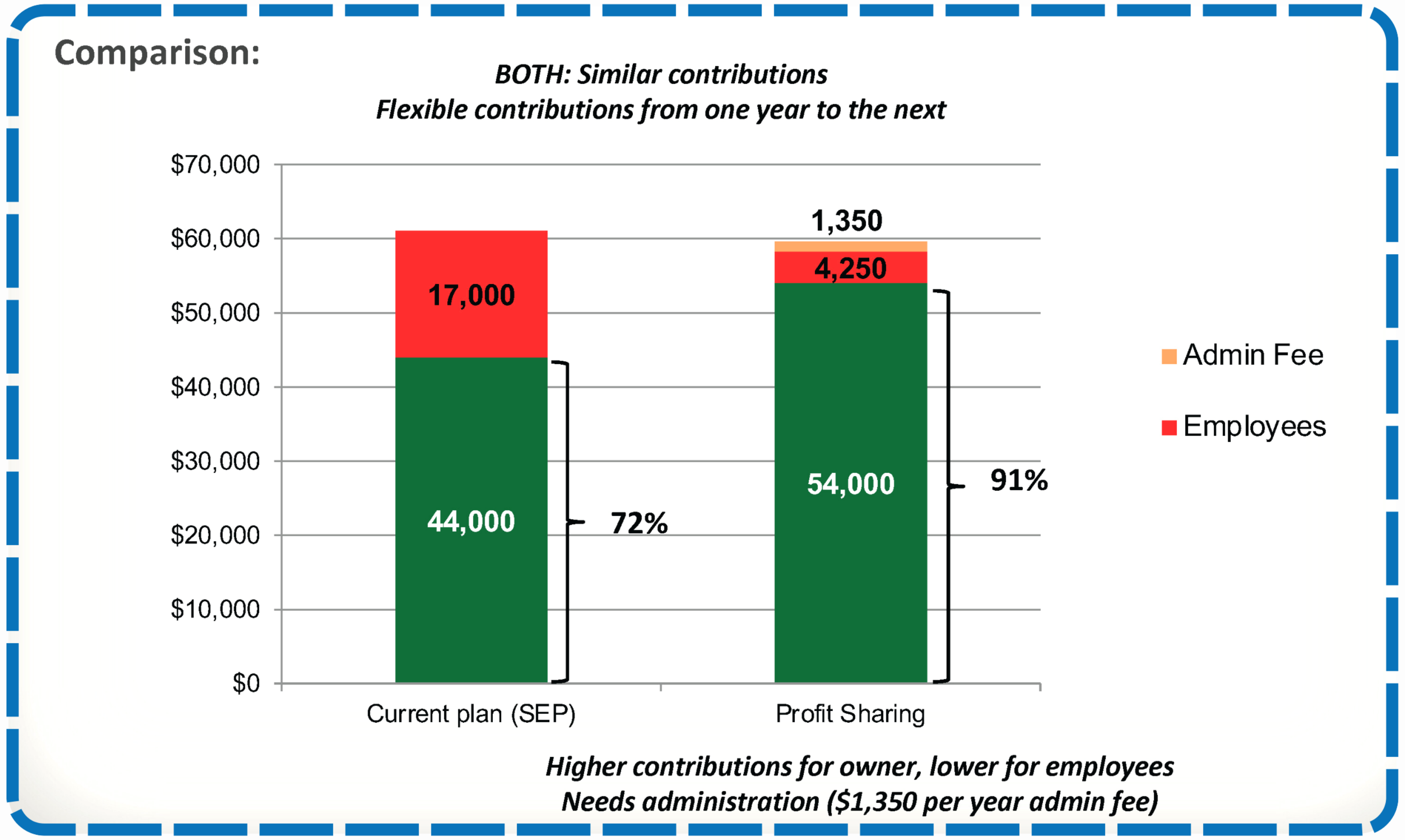
PRINCIPAL ADVANTAGES

- No filing requirements, easy to set up (Form 5305 from IRS site),
- Flexible contributions,
- Can set up any time prior to tax filing date with extensions

PRINCIPAL DISADVANTAGES

- 100% immediate vesting,
- Part-time employees must be included
- Equal % for all eligible employees (Opportunity: many ERs forget to include EEs)

- **Employers contribute to IRA for employees**
- **Contribution is deductible up to 25% of total compensation**



Combined Plans

Potential Annual Retirement Savings & Tax Deferral

Age	Annual Salary	401(k)/Profit Sharing Plan*	Cash Balance Plan	Total
35	$330,000	$66,000	$77,000	$143,000
40	$330,000	$66,000	$98,000	$164,000
45	$330,000	$66,000	$126,000	$192,000
50	$330,000	$66,000	$162,000	$228,000
55	$330,000	$66,000	$207,000	$273,000
60	$330,000	$66,000	$265,000	$331,000
65	$330,000	$66,000	$276,000	$342,000

*The 401(k) / Profit Sharing Plan contribution assumes the Plan is covered by the PBGC. If not, the employer contribution to the Plan will be limited to 6.0% of covered payroll.

When DB may not be a Good Solution?

- Unstable business, Cash Flow/Income
- If the business owner is generally younger than the workforce.
- If max contribution needed is below $60k.
- Like all qualified retirement plans, a DB plan must cover a cross-section of employees. Sometimes the cost to cover employees outweighs the other financial advantages.

Plan Design & Untapped Opportunities

STRUCTURE WITH FLEXIBILITY

Consistent contributions for 5 years with flexibility for tough year/s.

GROUP ANNUITIES

Consistent steady growth

GROUP LIFE INSURANCE

Amplify contributions with life insurance.

EXIT OPTIONS FROM PLAN

Planning with the end in mind

Why Add Life Insurance in a Pension Plan?

1. Tax-deductible premiums
2. Reduced cost of insurance.
3. Pre-retirement 101a Death Benefit
4. DB Proceeds are Immediately available
5. Bankruptcy protection for ERISA Assets
6. Income Tax Advantage at Death
7. Policy is Portable for Employer and Employees
8. Enhances Benefit Package
9. Vesting Schedules available

Case Studies

TOP INDUSTRIES FOR PLANS

- Medical Services (Doctors, Concierge Doctors, Chiropractors, etc)
- Dentists
- Veterinarian

- Entertainment Industry
- Athletes & Influencers
- Therapists
- Coaches & Consultants
- Solopreneurs & SBE

- Attorneys & Legal Firms
- Service Based
- Contractors
- High Comp 1099 Employees
- Free standing ER

John and Britney, age 45 and 44 are independent Contractors with LLC. John pays himself $260,000 in W-2 salary annually and Britney pays herself the same. They are looking for a large tax deduction and believes they can sustain this level of income for the next 5-10 years

ANNUAL EARNINGS

$260,000

APPROX DEFINED BENEFIT CONTRIBUTION FOR THE YEAR

$226,100

Contribution to DB Plan: $185,200

Contribution to $401(k): $40,900

ESTIMATED CURRENT YEAR TAX SAVINGS

$90,440

Combined marginal tax rate of 40%

DEFINED BENEFIT ACCUMULATION AT AGE 62

$2.26 Million

10 years, 5-7% rate of return

EXAMPLE

Sarah (age 48) is a Medical Professional with 4 employees. She pays herself $265,000 in W-2 and wants to maximize her own tax savings, while controlling the cost of employee benefits.

SOLUTION

Cash Balance Plan + Safe Harbor 401(k) profit sharing plan.

TOTAL CB + 401(K) CONTRIBUTION FOR OWNER

$192,380

TOTAL CONTRIBUTION FOR 4 EMPLOYEES

$14,175

Combined marginal tax rate of 38%

ESTIMATED CURRENT TAX SAVINGS

$78,490

Combined marginal tax rate 38%

EXAMPLE

93% of the contribution will go towards Owner's retirement

Case Study with CVLI Summary

Name	Date of Birth	Nearest Age @ 12/31/22	Projected Comp. (as limited)	Defined Contribution Plan 401(k)	Profit Sharing	Defined Contribution Plan Totals	Pension Plan Pension Investment Account	Pension Life Insurance Funding	Total Pension Plan Contribution	Overall Total Funding	Life Insurance Death Benefit
		40	80,000	0	0	0	91,164	74,000	165,164	165,164	1,158,636
Plus Additional Deductible Prefunding Available							111,839	0	111,839	111,839	
Equals Estimated Maximum Contribution Available							203,003	74,000	277,003	277,003	

Plan Efficiency		Tax Savings	
HCE Deductible Contributions	165,164	Total Funding Considered	165,164
NHCE Employee Contribution Cost	0	Assumed Fed. & State Income Tax Rate	37.00%
Total Funding Considered	165,164	Equals Estimated Current Tax Savings	61,111
Percentage to HCE	100.00%		

40 Yr Old Owner
Real Estate Professional
No W2 Employees
Contribution & Distribution

Plan Year	Age	Option #1 - Investment Only Approach: Pension Plan Investment Deposit	Option #2 - Investment and Life Insurance Approach: Pension Plan Investment Deposit	Pension Plan Life Insurance Funding	Total Pension Plan Contribution	After-Tax "Cost" of Including Life Insurance in Pension Plan: Additional Deductible Contribution	Less Tax Savings / Plus One-Time Swap to replace Life Insurance in Plan	Equals After Tax "Cost" of including Life Insurance in Pension Plan
1	40	148,949	91,164	74,000	165,164	16,215	(5,999)	10,215
2	41	148,949	91,164	74,000	165,164	16,215	(5,999)	10,215
3	42	148,949	91,164	74,000	165,164	16,215	(5,999)	10,215
4	43	148,949	91,164	74,000	165,164	16,215	(5,999)	10,215
5	44	148,949	91,164	74,000	165,164	16,215	(5,999)	10,215
6	45	148,949	148,949	0	148,949	0	312,984	312,984
7	46	148,949	148,949	0	148,949	0	0	0
8	47	148,949	148,949	0	148,949	0	0	0
9	48	148,949	148,949	0	148,949	0	0	0
10	49	148,949	148,949	0	148,949	0	0	0
Totals		1,489,494	1,200,568	370,000	1,570,568	81,073	282,987	364,060
Pension Plan Provides		Rollover to IRA of 1,788,303		Rollover to IRA of 1,788,303 Plus Life Insurance Policy providing Tax-Free Cash Flow of 1,782,617				

Plan with CVLI Summary

Name	Date of Birth	Nearest Age @ 12/31/22	Projected Comp. (as limited)	Defined Contribution Plan: 401(k)	Profit Sharing	Defined Contribution Plan Totals	Pension Plan: Pension Investment Account	Pension Life Insurance Funding	Total Pension Plan Contribution	Overall Total Funding	Life Insurance Death Benefit
		69	305,000	0	0	0	100,000	100,000	200,000	200,000	848,492
Overall Allocation Totals			305,000	0	0	0	100,000	100,000	200,000	200,000	
Plus Additional Deductible Prefunding Available							174,507	0	174,507	174,507	
Equals Estimated Maximum Contribution Available							274,507	100,000	374,507	374,507	

Plan Efficiency		Tax Savings	
HCE Deductible Contributions	200,000	Total Funding Considered	200,000
NHCE Employee Contribution Cost	0	Assumed Fed. & State Income Tax Rate	46.90%
Total Funding Considered	200,000	Equals Estimated Current Tax Savings	93,800
Percentage to HCE	100.00%		

69 Yr Old Owner
Manufacturing & Distribution
1099 Contractors

Plan Year	Age	Option #1 - Investment Only Approach: Pension Plan Investment Deposit	Option #2 - Investment and Life Insurance Approach: Pension Plan Investment Deposit	Pension Plan Life Insurance Funding	Total Pension Plan Contribution	After-Tax "Cost" of Including Life Insurance in Pension Plan: Additional Deductible Contribution	Less Tax Savings / Plus One-Time Swap to replace Life Insurance in Plan	Equals After Tax "Cost" of including Life Insurance in Pension Plan
1	69	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
2	70	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
3	71	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
4	72	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
5	73	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
6	74	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
7	75	170,310	100,000	100,000	200,000	29,690	(13,925)	15,765
8	76	170,310	170,310	0	170,310	0	555,328	555,328
9	77	170,310	170,310	0	170,310	0	0	0
10	78	170,310	170,310	0	170,310	0	0	0
Totals		1,703,099	1,210,930	700,000	1,910,930	207,831	457,855	665,686
Pension Plan Provides		Rollover to IRA of 2,044,758		Rollover to IRA of 2,044,758 Plus Life Insurance Policy providing Tax-Free Cash Flow of 898,067				

Process

1 DISCOVERY

The foundation of an exceptional client experience begins with the art of asking insightful questions during the discovery process.

2 Analysis & Review

Direct Access to Back Office Assistance for Illustration Design and Product Selection.

3 Recommendation

Tailoring recommendations based on the client's expressed goals and meticulously mapping their situation can be both eye-opening and a catalyst for taking actionable steps.

4 Implementation

Licensing, Product Training, Application Assistance with Case Management with visibility.

5 Optimization

Access to Strategic Annual Reviews and Opening Opportunities Yearly.

Establishing a Plan

1. Complete DB Questionnaire to run a feasibility proposal for your client/s or schedule a client meeting.
2. Join the discussion from the start, be involved as much as desired.
3. Review Tax Summary with contribution ranges for owner and team.
4. If your client would like to move forward, they sign the adoption agreement (Docusign).
5. Once signed and paid, our team/TPA will start with the plan installation, setup, and EINs.
6. Once applications have been approved, fund plan and submit funding confirmation to TPA.

Services, Follow Up and Collab

Actuarial Compliance Calendar

Important Dates for Your Calendar Year-End Defined Benefit and/or Combo Plan

JANUARY

15 **Quarterly Contributions Deadline** - Deadline to fund 4th quarterly contributions for underfunded plans

31 **Census Deadline** - Return Census to JULY to meet ADP and/or funding deadline

31 **Form 1099-R** - Deadline for distributing IRS Form 1099-R

31 **Data Submission Deadline for Underfunded (90% or less) Plans** – Receive all necessary data for underfunded (90% or less) plans

FEBRUARY

10 **Form 945** – Deadline to file the Form 945 with the IRS, if required

MARCH

15 **ADP / ACP Refunds** – Deadline to make ADP/ACP Refunds and avoid 10% excise tax penalties

15 **Tax Deductions** – Deadline for Corporations to fund contributions and claim tax deductions

31 **Form 1099-R** – Deadline to electronically file with the IRS

31 **Valuation Completion Deadline for Underfunded (90% or less) Plans** – Benefit restrictions are triggered if valuation is not completed for underfunded plans

APRIL

15 **Tax Deductions** – Deadline for Partners and Sole Proprietors to fund contributions and claim tax deductions

15 **Excess Contribution Refunds** – Deadline to refund excess deferrals above 402(g) limit

15 **Quarterly Contributions Deadline** - Deadline to fund 1st quarterly contributions for underfunded plans

MAY

1 **Engage Large Plan Auditor** – Suggested deadline for large plan Form 5500 filers to engage an auditor

JUNE

30 **Year End Report Answers** - Deadline for providing all information to JULY to avoid filing an extension on the Form 5500

JULY

15 **Quarterly Contributions Deadline** - Deadline to fund 2nd quarterly contributions for underfunded plans

31 **Form 5500/5558/AFN** – Deadline for the Employer to file Form 5500 or prepare an extension and distribute the Annual Funding Notice if required

31 **Form 5330** – Deadline for filing IRS Form 5330 required if the plan is required to pay excise taxes

AUGUST

31 **Census Deadline** – Return census data to JULY to ensure plan meets final Form 5500 filing deadline

SEPTEMBER

15 **Tax Deductions** – Final deadline for Corporations and Partners to fund

30 **Summary Annual Report** – Deadline for distributing the SAR

30 **Valuation Deadline** – Deadline to complete valuation to avoid benefit restrictions and notice requirements

OCTOBER

15 **Form 5500/AFN** – Final deadline for the Form 5500 and to distribute AFN

15 **Tax Deductions** – Final deadline for Sole Proprietors to fund contributions

15 **PBGC Deadline** – Deadline to submit PBGC premium payments

15 **Quarterly Contributions Deadline** - Deadline to fund 3rd quarterly contributions for underfunded plans

NOVEMBER

DECEMBER

2 **Annual Notices** – Deadline to distribute participant notices

10 **Distribution Deadline** – Deadline to submit distribution requests to JULY for processing prior to year end

31 **ADP / ACP Refunds** – Final deadline for making ADP Refunds

Considerations

- DB plans are flexible but not as flexible as a 401(k) plan or SEP.
- The business owner needs to be prepared for minimum required contributions and other rules and regulations that come with sponsoring DB/modern pension plans.
- There are costs to set up and administer a DB plan. The more complex the plan design, the higher the cost. This needs to be weighed against the benefits.
- They can "front load" the contributions but may require the plan to continue for a period with no contributions.
- With respect to using a DB plan in a business sale, consider the fact that some sale proceeds may be taxed at capital gains rates, and retirement income is taxed at ordinary income rates.

Empower Your Clients

A defined benefit plan can be a valuable tool to help your clients, reduce taxes, QBI, achieve retirement goals, protect plan assets and manage distribution, but they don’t work for everybody.

Hopefully, you leave today with some idea of when a DB/CB plan could be valuable and how it may solve a problem for clients (and make you the hero in the process).

We also hope that you will consider us a resource for any of your DB , retirement plan or other financial strategies needs.

WHO DO I KNOW?

- Pays more than 30K in income tax?
- Has stable cashflow/income?
- Want ro save/reduce their tax liabilities?
- Older than 30 years old?

- Medical Services (Doctors, Concierge Doctors, Chiropractors, etc)
- Dentists
- Veterinarians
- Entertainment Industry
- Athletes & Influencers
- Therapists
- Coaches & Consultants
- Solopreneurs & SBE
- Attorneys and Legal Firms
- Accountants
- Service Based Businesses
- Contractors & Subcontractors
- High Comp 1099 / IC

Non-Qualified Plans

EXECUTIVE BONUS PLAN
KEY PERSON
BUY-SELL CROSS PURCHASE
BUY-SELL ENTITY PURCHASE
SPLIT-DOLLAR LOAN REGIME
SPLIT DOLLAR ECONOMIC BENEFIT
AND MORE.

Why Work With RTB?

KEY ATTRIBUTES

- Integrity
- Client Confidentiality
- Focused on Client Objectives
- Commitment to Clients Plan of Action
- Communication, Expertise Transparency, and Service
- Client-Centric Experience

The Next Step

SEE IF YOUR CLIENT/S QUALIFY FOR 2023

Schedule a Meeting or Complete our DB Questionnaire

EXPLORE COLLABORATING

Schedule a Meeting to discuss further working together as your "Dream Team"

DOWNLOAD OUR DB ESSENTIALS PACKET

Find Out More Regarding our Process and Resources.

INVESTMENT / LIFE AND HEALTH LICENSED ?

Let's discuss options if you are licensed and how you can benefit beyond introductions.

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SCHEDULE A MEETING

SPEAKER: **ADAM BAR, CLF, CEPA**

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