You’ve built a Successful Career. Now it’s Time to Build a Successful Retirement.

Preparing for retirement takes time and planning. Maybe you, like many entrepreneurs have been so focused on running your business that you've not prepared enough for your retirement.

When retirement is near a fully-insured plan can help you increase your retirement savings.

Step Up Your Retirement Savings With A Fully-Insured Plan

If you’re a business owner looking to put away a considerable amount of money for retirement, on a tax advantaged basis, a fully-insured plan might be the ideal solution.

A fully-insured plan is a defined benefit retirement plan that may allow a **higher contribution**, on a **tax-deferred** basis, than any other retirement program available today—possibly more than a 401(k), a profit-sharing, or a traditional defined benefit plan.

A fully-insured plan is funded with an annuity or combination of life insurance and annuity contracts, which are **fully guaranteed** by a life insurance company.

How a Fully-Insured Plan Compares

A fully-insured plan may allow business owners the highest possible contribution and tax deduction. The chart shown below illustrates how much you may be able to contribute to a fully-insured plan compared to other types of qualified plans.

For example, a 50-year-old with at least $175,000 in income, who plans to retire at age 62, would be allowed to contribute a maximum of $214,542 to a fully insured 412(e)(3) plan funded only within an annuity. In a profit-sharing plan with a 401(k) for the same business owner, the maximum contribution would be $49,000. This reduces the retirement savings opportunity by $165,542.

If you already have a retirement plan, such as a 401(k) plan, you may be able to keep your current plan and add a fully-insured plan. Or, if you have a traditional defined benefit plan you can freeze your current plan and begin a fully-insured plan. Your financial professional can help guide you in choosing the best plan, or combination of plans, to meet your retirement goals.

			Funded With Annuity Only		Funded with Annuity and the Maximum Life Insurance Benefit	
Age at Plan Valuation	Retirement Age	Traditional Profit Sharing with 401(k)	Traditional Defined Benefit[1]	Fully-insured 412(e)(3)[2]	Traditional Defined Benefit[3]	Fully-insured 412(e)(3)[4]
45	62	$44,000	$85,898	$139,916	$95,602	$172,828
50	62	$49,000	$139,449	$214,542	$159,647	$271,610
55	62	$49,000	$190,829	$278,152	$230,069	$369,318
60	65	$49,000	$186,658	$267,230	$236,517	$369,921

Figures represent maximum contributions allowed for 2006. The traditional profit-sharing contribution amounts assume a $5,000 401(k) catch-up contribution for participants age 50 and older.

1,2 The Traditional Defined Benefit and 412(e)(3) contribution amounts assume that plans will be funded without life insurance. These contribution amounts would increase if life insurance is added to the plans. They are based upon a business owner with earned income, after pension, of at least $175,000 and no employees. The traditional defined benefit contribution amounts assume a return on investment of 5% and are based on the 94 GAR mortality tables. This example is hypothetical and for illustrative purposes only. It does not project the actual performance of any annuity or investment product.

3 The Traditional Defined Benefit contribution amount figures assume that the plan will be funded with life insurance and an annuity and each participant has a normal retirement ages of 62 or 5 years participation if later, maximum salary of $220,000, and a death benefit. Actuarial assumption: 5.5% pre-retirement, 5.5% GAR 94 post retirement.

4 The fully-insured 412(e)(3) contribution amount figures assume that the plan will be funded with life insurance and an annuity and each participant has a normal retirement age of 62 or 5 years of participation if later, a maximum salary of $220,000, and a death benefit based on Rev. Rul. 74-307.

Retirement plan basics

A **defined contribution plan** is a qualified plan whereby the total amount that can be contributed to the plan, on behalf of an eligible employee, in any given year, has a set limit. In 2006, for instance, the total amount that can be contributed to an employee's account generally cannot exceed the lesser of $44,000 or 100% of compensation. Tax deductions are limited to 25% of total payroll covered under the plan.

A **defined benefit plan** is also a qualified plan whereby the retirement income received by each participant in the plan is set by a pre-determined formula. With a traditional defined benefit plan, the size of the contribution that is made to fund benefits under the plan is calculated annually. The contributions necessary to fund plan benefits are tax-deductible.

What's In a Name?

A fully-insured plan is a 412(e)(3) defined benefit plan, which is named after the Internal Revenue Code regulation that exempts these plans from the minimum funding requirements of traditional defined benefit plans. With a fully-insured plan, the annuity and insurance guarantees determine the funding requirement. Prior to the Pension Protection Act of 2006, these plans were previously known as 412(i) plans.

What Is A Qualified Plan?

Qualified plans receive special tax treatment, including deferral of taxation for participants and a tax deduction for the employer. Defined contribution plans such as 401(k) or profit-sharing plans, and defined benefit plans, like a fully-insured plan, are all qualified plans.

Is a fully-insured plan right for you?

Today there are more retirement plan choices than ever for small businesses, though none have the potential to permit as large an annual contribution as a fully-insured plan. With so many choices, it's important to select a plan that is right for you. This type of defined benefit plan is best suited to individuals who:

- Own a small business—or have self-employment income.
- Are between 40 and 70 years old and plan to retire in 5 to 20 years.
- Have no employees—or less than 6.
- Have stable earnings that are expected to continue.
- Need to put away a considerable amount of money for retirement.
- Are seeking a conservative, guaranteed investment.
- Would benefit from a sizeable tax deduction.

Fully-insured retirement plans can be beneficial for certain business owners, or those with self employment income. But a fully-insured plan isn't right for everyone. Your financial professional can help you determine if a fully-insured plan is right for you. Here are some aspects of fully-insured plans to consider:

- Plan must be funded by annuities or a combination of life insurance and annuity contracts.
- There's no investment diversification or flexibility.
- Funding commitment should be at least 5 to 10 years, contingent on the age of the participants.
- Annuity funding vehicle does not permit riders or loans.

Guarantee your retirement benefit

When retirement is just around the corner, some business owners prefer the conservative nature of a fully-insured plan. A fully-insured plan provides a pre-determined retirement amount that is guaranteed by the life insurance company that provides the funding vehicle. With a fully-insured plan, the issuing insurance company bears the investment risk. Plan assets are protected from creditors. Fully-insured plans are required, by law, to be funded by fixed annuities with minimum guaranteed rates, which shield the assets from stock market volatility.

Maximize Your Tax Deductions and Savings

Fully-insured plans have a higher tax deduction limit than most plans, and contributions are tax deductible. Contributions to a fully-insured plan may be greater than those made to either a defined contribution profit-sharing or traditional defined benefit plan. Since fully-insured plans are funded by fixed annuities, interest rate assumptions are much more conservative in a fully-insured plan than in a traditional defined benefit plan.

A Look at Employer Contributions for Eligible Participants:

A fully-insured plan is governed under ERISA rules and it must pass applicable coverage and participation tests for eligible employees. An employee is generally eligible if they meet certain criteria such as hourly employment and salary requirements, minimum years of service and a minimum age. If employees do not meet the required criteria they may be excluded from the plan. The required contribution for employees depends on certain variables, including their age and salaries. Generally, contributions for younger, lower paid employees are lower than for older, higher paid ones.

Guaranteed funding vehicles

A fully-insured plan must be funded, wholly or in part, by a fixed annuity contract is specifically designed to fund fully-insured plans. The annuity currently guarantees an annual interest rate of three percent. Because it's a fixed annuity, there are no annual asset-based mortality, expense risk, or administrative charges.[5] A 7-year declining contingent deferred sales charge (CDSC) applies to amounts withdrawn or surrendered if they have been in the contract for less than seven contract years. The CDSC is 7%, 6%, 5%, 4%, 3%, 2%, 1% for contract years 1-7, respectively, on each premium payment. *More complete detailed information regarding the fees and charges associated with this funding vehicle are outlined in the contract.*

The Benefits of Life Insurance

When there's a bona fide need for life insurance protection, a fully-insured plan may utilize a combination of an annuity and life insurance. **L**eading providers of insurance and annuities can incorporate both annuity and life insurance contracts into a fully-insured plan.

- Life insurance provides a **pre-retirement death benefit** to the plan.
- Whole life insurance premiums are **tax-deductible** for the employer with, only a small portion of the premium taxable to the employee.
- Policy death benefits in excess of the policy's cash surrender value are generally paid to beneficiary's federal **income tax free**.

5 You will pay taxes on your contributions and earnings when you withdraw them from your plan.

Executive Benefits Design Group: Your source for a fully insured plan

In addition to working with leading carriers to fund the plans, we are positioned to handle fully insured plan administration. Our turn-key program, simplifies administration by offering the following services to clients:

- IRS approved plan documents
- Simplified installation
- Plan administration
- Compliance testing
- Annual government filing assistance

Expertise You Can Depend On

Our staff has an exceptional level of experience, with relationship managers averaging 35 years or more of tenure in the retirement industry. These individuals have extensive knowledge of the pension and retirement markets—along with a keen understanding of the issues small businesses face. This combination of skills gives them the ability to help you create a plan that truly meets your needs and maximizes the value of your plan.

Choose a company you can trust

When it comes to your retirement, you want a company with a long history of meeting its obligations. Our leading providers are committed to meeting the long-term needs and expectations of our customers. We deliver on this commitment by providing the highest level of service.

When you consider the benefits of turn-key administration—combined with the stability of our leading providers—you'll understand why so many small business owners are looking to us to bring a fully-insured plan into their fully-insured retirement plan.

Now's the time to focus on retirement

Don't put off saving for retirement any longer. Learn how a fully-insured plan can help you focus on your retirement savings.

Our financial professionals can prepare a personalized plan design illustration for you to determine if a fully-insured plan is right for you and your business. The illustration will show you how much you can contribute and your future retirement benefits.

To plan your retirement strategy, talk with your financial professional, call Executive Benefits Design Group at **360-756-0776** or visit us on the web at **www.ebdgonline.com**

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