



Insurance Resource Group

The 412i Pension Plan

An Introduction to Business Owners

Presented By:

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The Problem

Affluent business owners are seeking the largest tax deductions with minimal employee cost, IRS approval, security of invested assets, and flexibility.

Why Existing Programs Often Fail to Meet the Needs of Business Owners?

Many businesses have 401k, profit sharing, or other plans. These plans often impose substantial employee cost on the business owner, while sharply limiting the amount business owners can contribute and deduct for themselves.

A falling market and economic uncertainty since 2000 has sharply eroded benefits accumulated in 401k and profit sharing plans, leaving many people insecure and far short of desired wealth accumulation goals.

A New Opportunity is Offered by Congress

Congress passed legislation effective in 2000, 2001, and in 2002, that strongly encourages business owners to contribute substantial, tax-deductible amounts into certain forms of pension programs.

Contributions for business owners can now be as much as \$50,000; \$100,000; \$150,000, or even \$200,000 a year – ALL WITH MINIMAL EMPLOYEE COST.

A special form of IRS approved pension plan, called a “412i Plan” offers the largest deductible contributions while eliminating uncertainty and risk.

The 412i Plan Offers the Following Benefits for Business Owners

- The largest deductible contribution
- The largest lump-sum benefit
- IRS Letter of Determination: Each business owner receives a Letter of Determination from the IRS - plan based on IRS approval, not interpretation
- Maximum leverage for the business owner – you get the lion's share
- Plan assets are in guaranteed insurance company vehicles – no risk of principal
- Properly funded, benefits are guaranteed – you know what you get, and when
- Plan assets are in an individual trust and you, the business owner, is the trustee – you have control and always know what you have in your plan
- Plan assets are protected from the claims of creditors
- You have many options at retirement – lump-sum, lifetime income, or continued deferral
- Administration is simple and inexpensive

Special Planning Needs That Can Be Met with a Well-designed 412i Plan

- Buy-out business partners with tax-deductible dollars
- Tax deductible method of funding life insurance for estate or other planning needs (save up to 50% on your insurance)
- The ultimate tax deferral vehicle for owners of Sub-S Corporations, or for Partners in Partnerships, LLCs, or LLPs
- Can alleviate retained earnings problems
- Very large contribution and benefit limits provide a way to “catch-up” funding of retirement benefits - especially valuable when existing benefits have been depleted due to adverse market performance

Who is Eligible To Have a 412i Plan

- You own and operate a profitable business
- You/your business is in a high tax rate
- Your business can be incorporated (“C” or “S”), or you can be a partnership, LLP, LLC, or a Sole Proprietor
- You must have “earned income”, that is, income other than passive investment income
- Preferably, you plan to contribute for five years or more

How Do I Determine If The 412i Plan is Right For Me?

If you meet the above criteria, you should complete the following questionnaire and census. This data will be used for a preliminary design evaluation to determine approximate benefits and contributions that a plan could provide you. All information provided will be kept strictly confidential.

EMPLOYEE CONSENSUS

Company Name

Business Owner Name / Corporate Tax ID Number

Year End

List all employees

Name	Job Description / Title	Sex	Smoker	Date of Birth	Date of Hire	Hours Worked	Compensation (w-2 salary, 1099 commission bonus, etc.)

Prepared by _____ Date _____

CONFIDENTIAL CLIENT INFORMATION

Your Name _____

Business Name _____

Phone _____

Type Of Company _____

Fax _____

Email Address _____

1) How much would you like to contribute to a tax-deductible plan this year? \$ _____.

2) When will you be able to fund your new plan? _____.

3) When do you plan to retire? _____

4) List other owners – any key employees to consider?

Name	% Owner	Key Employee

5) Any existing qualified plans? (401k, Profit Sharing, Pension, SEP) – if yes, please describe type of plan(s):

6) Current annual contribution \$ _____.

7) From employer? \$ _____.

8) From Employee Deferral? \$ _____.

9) Do you own or have an interest in any other business? – If yes, please give details including your % of ownership in each business:

10) Special needs or goals you would like us to consider:
