

# The Largest Qualified Plan Tax Deduction -Section 412i

Section 412i offers the largest tax deduction of any qualified plan. Businesses with few rank and file employees (or none) and high incomes for the own/employee group are excellent candidates for 412i deductions. The following are the maximum allowable deductions per employee:

	<u>ANNUITY ONLY</u>	<u>LIFE INSURANCE AND ANNUITY</u>
Age 45	\$105,238	\$128,685
Age 50	\$152,040	\$189,020
Age 55	\$246,669	\$315,738
Age 60	\$266,313	\$367,559

Note: The above contributions are based on the guaranteed annuity purchase rates, the guaranteed insurance cash values, and the guaranteed annuity accumulation rates of selected insurance carriers. Additionally, the numbers assume an age 65 retirement age of 65 and total earnings of at least \$180,000 during the plan year ending in 2007.

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Section 412i and its companion regulations have been established tax law for decades and have a proven track record as a small business retirement option. 412i plans (sometimes called an insurance contract plan) are actually a special form of defined benefit pension. However, because the retirement benefit obligation in a 412i is assumed by a third party insurance company, the business itself is not at risk and is therefore exempt from most of the regulatory burden of a traditional defined benefit plan.

A fully insured approach is not for everyone, but small businesses with very few employees will find this alternative especially compelling. Besides offering a huge tax deduction, 412i conversions are an excellent way to escape the over-funding penalties that can arise in traditional defined benefit plans. Generally, a fully insured plan will have the most appeal in a business with five or fewer employees where the owner is age 50 or older. The greater the age spread between the owner and the younger employees, the greater the tax leverage generated by 412i. These plans do involve an annual obligation, so the sponsoring business should have a stable cash flow.

**412i is not for every small business, but in the right situation it can be a true tax windfall!**

- ❖ **Ask us how to blend a 412i plan with a 401k plan and increase both your tax deductions and your personal retirement cash accounts.**
- ❖ **Ask us how to inflation proof your 412i and 401k retirement benefits**
- ❖ **Ask us how increase retirement income 35%, by offsetting income taxes on plan payouts**
- ❖ **Ask us how an indexed account can provide stock market based returns, with zero risk**

**Our feasibility studies require only a few moments of your time. Let us take a look!**

\*The above information is not intended to be tax or legal advice. It is simply a discussion of what can occur in a specific situation. Please consult your tax advisor or attorney for advice on your precise circumstances.