



412(i) Defined Benefit Pension Plans

412(i)
Pension
Plans
From
American
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Company

New Dimensions In Pensions

412(i) Defined Benefit Pension Plans

A 412(i) defined benefit pension plan, referred to in IRS regulations as an “insurance contract plan”, is the only defined benefit plan that is exempt from the minimum funding requirements of Section 412(i) of the Internal Revenue Code. This type of plan, therefore, enjoys certain advantages over the traditional defined benefit plan and is worth exploring if you are the owner of a small business.

These advantages create a plan that, compared to a traditional defined benefit plan, will produce:

- larger initial deductions;
- greater stability in the contribution level;
- simpler plan administration, and
- a secure promise of future benefits.

What Are The Advantages Of A 412(i) Insurance Contract Plan Over A Traditional Defined Benefit Plan?

- does not require an enrolled actuary;
- is not subject to the full funding limitation tests of a defined plan;
- is required to use the contract guarantees as funding assumptions, thus helping shield them from IRS attack as unreasonable funding assumptions;
- can be designed to eliminate the potential of excess plan assets that, in a traditional plan, could be subject to taxes and penalties of 80% or more upon termination of the plan;
- produces an understandable accrued benefit since it is simply the cash value of the contracts funding the participant’s account;
- creates larger initial deductions than a traditional plan since the funding assumptions are required to be much more conservative; and

- provides retirement benefits that are guaranteed by the insurance company and not just the financial strength of the particular employer providing the plan.

What Requirements Must Be Met To Qualify As A 412(i) Insurance Contract Plan?

The major requirements under section 412(i) of the Internal Revenue Code are:

- The plan must be funded exclusively with annuity products, or a combination of life insurance and annuity products, issued by an insurance company.
- The benefits provided each individual must be equal to the values provided in the contracts and guaranteed by the insurance carrier.
- Life insurance dividends and excess annuity interest must be used to reduce the following year's plan contribution.
- No policy loans are allowed under the contracts.

	104.30	0.00	0.00
	96.40	0.11	4.34
	105.40	0.00	0.00
	103.00	0.00	0.00
	100.80	0.00	0.00
	104.60	0.00	0.00
	96.40	0.00	0.00
SP0609	105.40	0.19	6.60
SP0907	102.20	0.39	2.10
SP0908	96.02	0.00	0.00
SP0909	105.80	0.00	0.00
SP1206	105.45	0.23	18.50
SP1207	99.70	0.30	3.00
SP1208	102.50	0.00	0.00
SP1209	103.20	0.00	0.00
STC080409	100.00	0.00	0.00
TST080707	100.00	0.00	0.00
TST080807	100.00	0.00	0.00
TST0809	100.00	0.00	0.00
TST0810	100.00	0.00	0.00
TST0811	100.00	0.00	0.00
TST0812	100.00	0.00	0.00
TST0813	100.00	0.00	0.00
TST0814	100.00	0.00	0.00
TST0815	100.00	0.00	0.00
TST0816	100.00	0.00	0.00
TST0817	100.00	0.00	0.00
TST0818	100.00	0.00	0.00
TST0819	100.00	0.00	0.00
TST0820	100.00	0.00	0.00

How Much Can The Initial Deductible Contribution To A 412(i) Defined Benefit Plan Be?

Below is an illustration of the maximum first year contribution created by using American National Life and Annuity products at selected ages.

	Annuity Only	Maximum Life Insurance and Annuity
Age 40	\$ 97,815	\$121,024
Age 45	\$137,259	\$170,700
Age 50	\$210,468	\$266,104
Age 55	\$272,873	\$359,845

If your goal is a large deduction for your business and a secure retirement benefit for yourself, the special characteristics of the 412(i) defined benefit plan are worth exploring. American National would be happy to provide you with a free look at a 412(i) plan for your specific business.

Note: The contributions above are based upon maximums for 2006 and the guaranteed annuity purchase rates, the guaranteed insurance cash values, and the guaranteed annuity accumulation rates of American National Insurance Company 412(i) qualified life and annuity products. The numbers also assume the business owner at the selected ages has earnings of at least \$175,000 and the normal retirement age is 62.

Neither American National nor its representatives gives legal, tax or accounting advice. If you need such advice, consult your attorney, accountant or personal tax advisor.



A History of Safety and Strength

Since 1905, American National Insurance Company has been a consistent source of financial strength and long-term planning which has earned the respect of millions of policyowners. American National's financial strength and operating integrity have positioned it as a leader in the insurance industry.

American National offers innovative and customer focused insurance products and ranks among the larger life insurance companies in the United States. We are committed to providing our customers with high quality, products that best fit their diverse and changing financial needs.



Policy Forms: PWLU, GPWLU-C, LPWLU, GLPWLU-C



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