



The
SFL 412(i)
Plan

How Does an Actual 412(i) Plan Look?

Let us take a look at a hypothetical businesses' 412(i) plan:

- **Today**
- **Tomorrow**
- **During retirement**

How Does an Actual 412(i) Plan Look?

Sample case facts:

- **Becker Realty, Sole Proprietorship**
 - Owner: **Dan Becker**, age 52, retiring in 10 years, \$150,000 p/yr. Income
 - Bookkeeper: **Jody Black**, age 34, \$32,000 p/yr. Income
- DB Plan to provide 100% final 3yr. Average salary in retirement
- Vesting – top heavy/graded
- Life insurance vs. annuity – 100x's rule

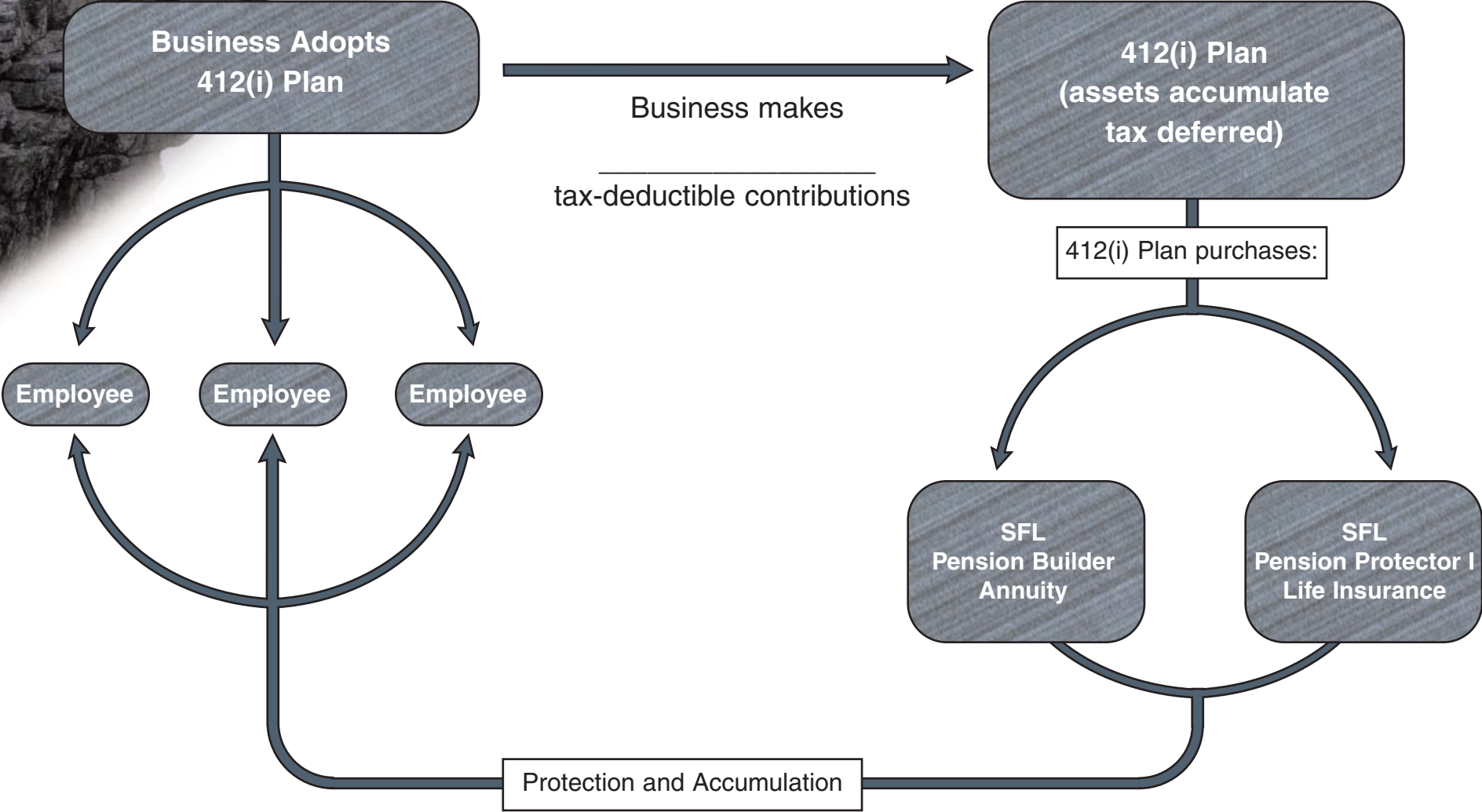
How Does an Actual 412(i) Plan Look?

Adobe phase 1

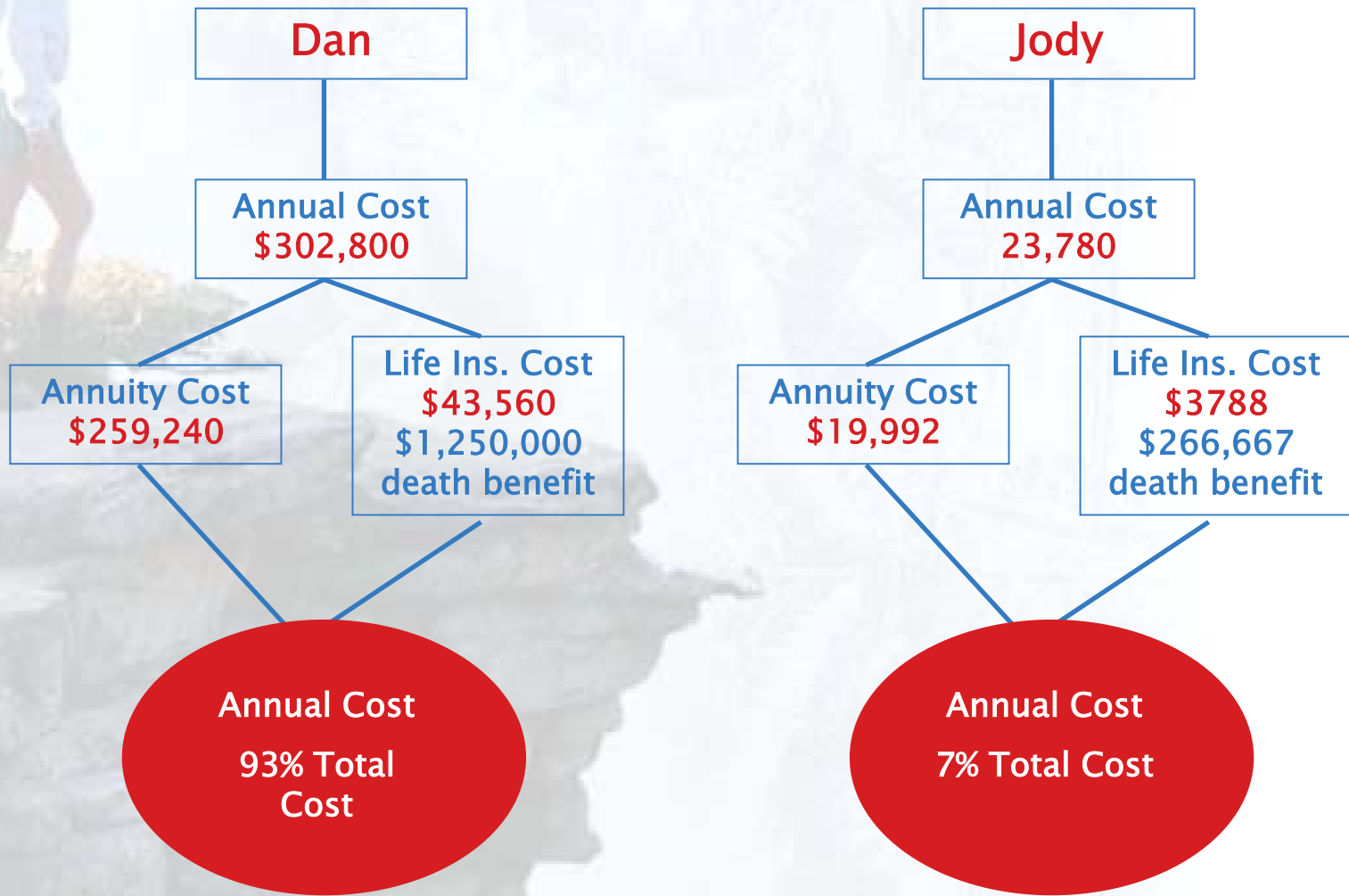
Concept summary with total contribution

SFL's 412(i) solution

Phase 1 - The Funding Years



How Does an Actual 412(i) Plan Look?



How Does an Actual 412(i) Plan Look?

412(i) Funding & Values Summary - Dan

Annuity Performance Summary

	Performance at 2%		Performance at 2.65%	
	Contribution	EOY Value	Contribution	EOY Value
1	\$ 259,240	\$ 264,425	\$ 259,240	\$ 264,425
2	\$ 259,240	\$ 534,138	\$ 257,555	\$ 534,138
3	\$ 259,240	\$ 809,246	\$ 255,836	\$ 809,246
4	\$ 259,240	\$ 1,089,855	\$ 254,083	\$ 1,089,855
5	\$ 259,240	\$ 1,376,077	\$ 252,295	\$ 1,376,077
6	\$ 259,240	\$ 1,668,024	\$ 250,471	\$ 1,668,024
7	\$ 259,240	\$ 1,965,809	\$ 248,610	\$ 1,965,809
8	\$ 259,240	\$ 2,269,550	\$ 246,713	\$ 2,269,550
9	\$ 259,240	\$ 2,579,366	\$ 244,777	\$ 2,579,366
10	\$ 259,240	\$ 2,895,378	\$ 242,803	\$ 2,895,378

Life Insurance Performance Summary

	Performance at Guarantees			Performance at Current		
	Contribution	EOY Value	Death Benefit	Contribution	EOY Value	Death Benefit
1	\$ 43,560	\$ -	\$ 1,250,000	\$ 43,560	\$ -	\$ 1,250,000
2	\$ 43,560	\$ 1,512	\$ 1,250,000	\$ 43,560	\$ 1,512	\$ 1,250,000
3	\$ 43,560	\$ 29,250	\$ 1,250,000	\$ 40,073	\$ 29,250	\$ 1,250,000
4	\$ 43,560	\$ 57,500	\$ 1,250,000	\$ 39,285	\$ 57,500	\$ 1,250,000
5	\$ 43,560	\$ 86,263	\$ 1,250,000	\$ 38,448	\$ 86,263	\$ 1,250,000
6	\$ 43,560	\$ 115,550	\$ 1,250,000	\$ 37,585	\$ 115,550	\$ 1,250,000
7	\$ 43,560	\$ 145,325	\$ 1,250,000	\$ 36,610	\$ 145,325	\$ 1,250,000
8	\$ 43,560	\$ 175,550	\$ 1,250,000	\$ 35,523	\$ 175,550	\$ 1,250,000
9	\$ 43,560	\$ 206,163	\$ 1,250,000	\$ 34,422	\$ 206,163	\$ 1,250,000
10	\$ 43,560	\$ 237,150	\$ 1,250,000	\$ 33,372	\$ 237,150	\$ 1,250,000

Total \$ 2,592,400 \$ 2,895,378 \$ 2,512,383 \$ 2,895,378

Total \$ 435,600 \$ 237,150 \$ 1,250,000 \$ 382,438 \$ 237,150 \$ 1,250,000

How Does an Actual 412(i) Plan Look?

412(i) Funding & Values Summary - Dan

Annuity Performance Summary

	Performance at 2%		Performance at 5.0%	
	Contribution	EOY Value	Contribution	EOY Value
1	\$ 259,240	\$ 264,425	\$ 259,240	\$ 264,425
2	\$ 259,240	\$ 534,138	\$ 251,463	\$ 534,138
3	\$ 259,240	\$ 809,246	\$ 243,530	\$ 809,246
4	\$ 259,240	\$ 1,089,855	\$ 235,439	\$ 1,089,855
5	\$ 259,240	\$ 1,376,077	\$ 227,185	\$ 1,376,077
6	\$ 259,240	\$ 1,668,024	\$ 218,767	\$ 1,668,024
7	\$ 259,240	\$ 1,965,809	\$ 210,180	\$ 1,965,809
8	\$ 259,240	\$ 2,269,550	\$ 201,422	\$ 2,269,550
9	\$ 259,240	\$ 2,579,366	\$ 192,489	\$ 2,579,366
10	\$ 259,240	\$ 2,895,378	\$ 183,376	\$ 2,895,378

Life Insurance Performance Summary

	Performance at Guarantees			Performance at Current		
	Contribution	EOY Value	Death Benefit	Contribution	EOY Value	Death Benefit
1	\$ 43,560	\$ -	\$ 1,250,000	\$ 43,560	\$ -	\$ 1,250,000
2	\$ 43,560	\$ 1,512	\$ 1,250,000	\$ 43,560	\$ 1,512	\$ 1,250,000
3	\$ 43,560	\$ 29,250	\$ 1,250,000	\$ 40,073	\$ 29,250	\$ 1,250,000
4	\$ 43,560	\$ 57,500	\$ 1,250,000	\$ 39,285	\$ 57,500	\$ 1,250,000
5	\$ 43,560	\$ 86,263	\$ 1,250,000	\$ 38,448	\$ 86,263	\$ 1,250,000
6	\$ 43,560	\$ 115,550	\$ 1,250,000	\$ 37,585	\$ 115,550	\$ 1,250,000
7	\$ 43,560	\$ 145,325	\$ 1,250,000	\$ 36,610	\$ 145,325	\$ 1,250,000
8	\$ 43,560	\$ 175,550	\$ 1,250,000	\$ 35,523	\$ 175,550	\$ 1,250,000
9	\$ 43,560	\$ 206,163	\$ 1,250,000	\$ 34,422	\$ 206,163	\$ 1,250,000
10	\$ 43,560	\$ 237,150	\$ 1,250,000	\$ 33,372	\$ 237,150	\$ 1,250,000

Total \$ 2,592,400 \$ 2,895,378 \$ 2,223,091 \$ 2,895,378

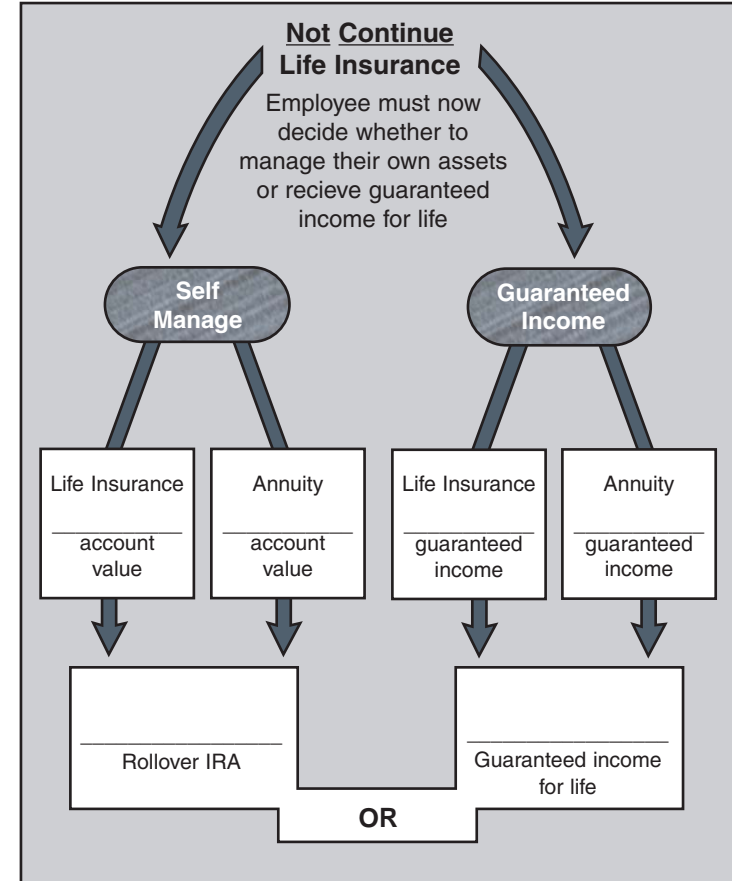
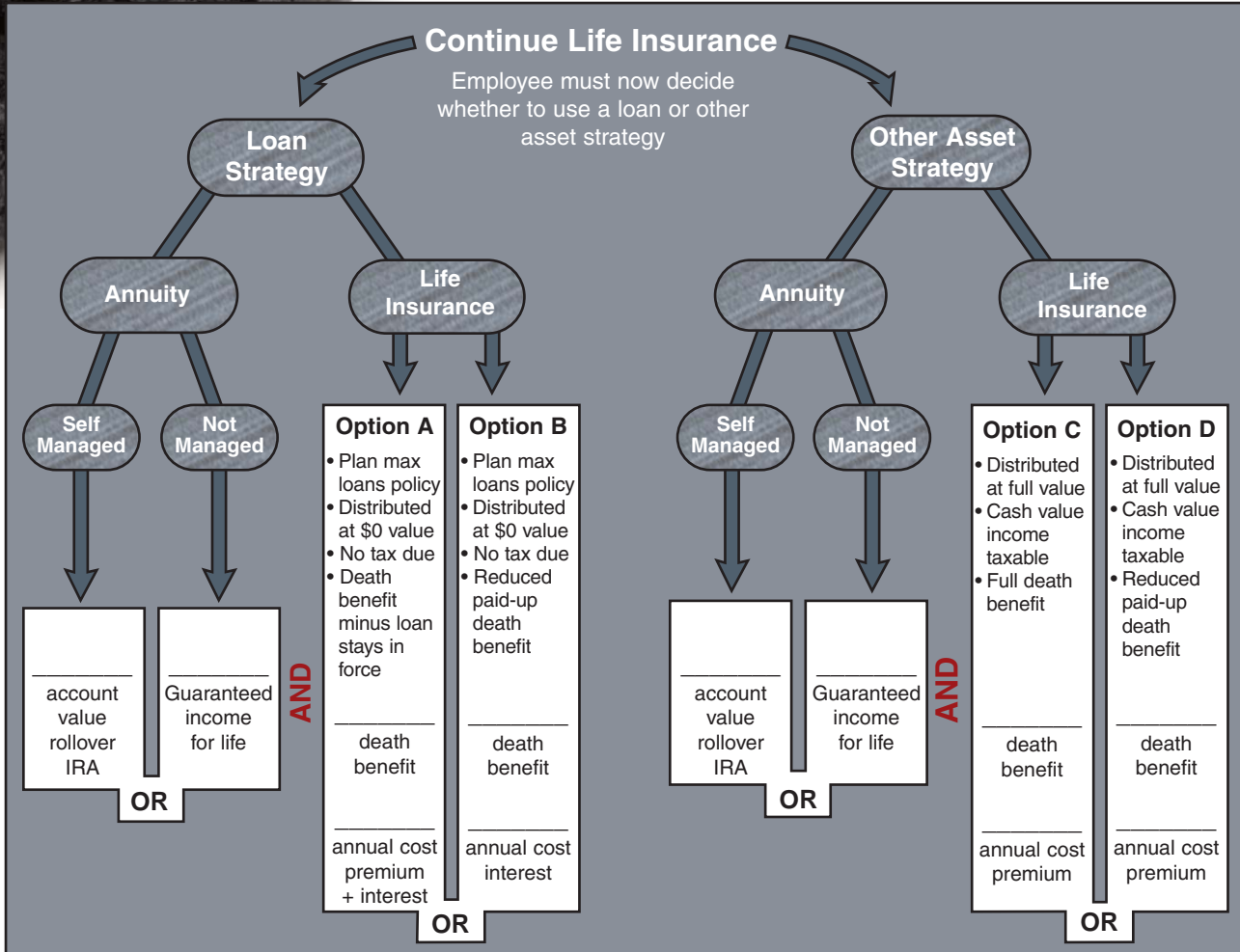
Total \$ 435,600 \$ 237,150 \$ 1,250,000 \$ 382,438 \$ 237,150 \$ 1,250,000

SFL's 412(i) solution

Phase 2 - Beginning at Retirement



Retiring Employee must decide whether or not to continue the life insurance policy during retirement.



How Does an Actual 412(i) Plan Look?

Dan's decision?

- **Continue** the life insurance during retirement using a **loan strategy** to minimize tax upon retirement
- Roll the lump sum from the 412(i) plan into a **rollover IRA**
- Dan further plans to **spend down his IRA** to maintain his lifestyle while using a portion of the income to pay the required future life insurance premiums and loan interest

How Does an Actual 412(i) Plan Look?

Dan's overall costs and benefits over his lifetime and beyond:

- **Cost:**
 - 10 years of \$326,580 contributions (\$212,277 tax adjusted)
 - Or, \$3.2 million dollars (\$2.1 m tax adjusted)
- **Retirement income:**
 - \$ for 23 years totaling
 - Or, over \$2.3 million dollars
- **Legacy:**
 - \$1,250,000 tax free death benefit to next generation

How Does an Actual 412(i) Plan Look?

What if, instead of a 412(i) plan with a 100x's death benefit, Dan chose another type of retirement plan?

- To equal the total benefits (\$100,450 of income for 23 years with \$1.25 million tax free to the next generation) for the illustrated tax deductible cost (\$326,580 for 10 yrs.) at current rates Dan would need to:
 - Earn a **5.8%** rate of return and purchase a 10-year decreasing term policy in the event he died prematurely (6.4% @5%)

A person in a light blue shirt and green shorts stands on a rocky cliff edge, looking out over a vast, hazy landscape. The scene is bright and atmospheric, with a soft glow from the sun. The text is overlaid on this background.

How Does an Actual 412(i) Plan Look?

What a DEAL!!!