



Pocket Guide to Retirement Planning

Planning for your Retirement

After years of hard work, you hope to retire from the work force and spend your remaining years doing the things you enjoy. Whether you plan to travel around the world, visit far away friends and family, or just relax at home, you will need to have adequate income on which to live.

This retirement income is generated from three primary sources: personal savings, employer-sponsored pension plans and government-sponsored plans such as Social Security.

This guide will familiarize you with the different types of pension and profit sharing plans. It will also explain why you, as the employer, might prefer one plan type over another. Lafayette Life can assist you in designing a plan that helps meet your retirement planning goals.

Defined Benefit vs. Defined Contribution

Pension and profit sharing plans fall into two major categories: **defined benefit** and **defined contribution** plans.

Defined benefit plans are designed to provide definitely determinable benefits at retirement. The plan defines the benefit formula as well as how benefits are accrued. To ensure that the trust will have sufficient funds to pay the promised retirement benefits, a defined benefit plan must comply with minimum funding requirements as specified by the Internal Revenue Code and ERISA.

Early plan terminations are subject to special rules, and forfeitures of unearned contributions by terminated employees are used to reduce future employer contributions. In a defined benefit plan, the employer bears the investment risk.

Defined contribution plans, on the other hand, provide an individual account for each participant. The benefits available at retirement are based on the contributions made on the participant's behalf, including investments gains or losses and forfeitures. The participant bears the investment risk in a defined contribution plan.

Defined Benefit Plans

There are two types of defined benefit plans: the traditional defined benefit plan and the 412(i) defined benefit plan.

The traditional defined benefit plan funds a specific retirement benefit for each eligible participant. The annual contributions, which are tax deductible and subject to Internal Revenue Code limitations, are made solely by the employer and may be funded with insurance, annuity products or other funding vehicles.

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The 412(i) defined benefit plan is a defined benefit plan that offers a guaranteed retirement benefit. It is funded with insurance products from one insurance carrier, and the insurance products credit a minimum, guaranteed rate of interest. These plans must follow specific IRS regulations and must be fully funded at all times.

Defined Contribution Plans

There are a variety of defined contribution plans, each having different plan features. The primary difference among the plans is the formula used to determine the annual contribution.

Here is a brief listing of the plan types:

- Profit Sharing
 - New Comparability
 - Age-weighted
 - 401(k)
 - Safe Harbor 401(k)
- Money Purchase
- Target Benefit

The most common of these plans is the profit sharing plan. This plan allows the employer to make an optional, discretionary contribution to the plan each year. It is allocated to eligible participants, based on the formula stated in the plan document.

A profit sharing plan can contain a 401(k) feature that allows eligible participants to defer a portion of income on a pre-tax basis. The employer may choose to match a portion of this salary deferral.

Plan Design

Now that you know the basics, how do you decide which plan design is best suited for your company? Contact your Lafayette Life representative for a no-cost, no-obligation retirement plan analysis. With some basic information about your business and your employee census, we can assist you in designing a plan to help meet your retirement goals.

Plan Set-up

Once you have chosen a plan design, our staff will help set up the plan by preparing the plan documents, assigning a trust identification number and explaining your role and responsibilities to you.

Plan Administration

Lafayette Life provides individualized service to you by assigning a specific contact person to assist you in providing certain plan services throughout

the life of your plan. This ongoing support includes an annual review and valuation of your

retirement plan and the preparation of the Form 5500 and related schedules, required by the Department of Labor and Internal Revenue Service.

Plan Funding

Lafayette Life offers a wide array of funding options with a varied portfolio of life insurance and annuity products. We can tailor your plan and its funding vehicles to help meet your retirement objectives. Your Lafayette Life representative can review these options with you in more detail.

Which plan is right for your business?

With so many options available, it is hard to choose which plan is right for your company. Here are some general considerations.

Defined benefit plans are typically more expensive than defined contribution plans. They usually benefit the owner who is 45 years of age or older and who has at least five years until retirement. The tax deduction can be significantly higher with a defined benefit plan. The annual contribution is required with a defined benefit plan, so there is less flexibility with this plan type. In a defined benefit plan, contributions are funded solely by the employer who bears the investment risk.

Defined contribution plans usually favor younger employees who have more time to accumulate retirement savings. While much more flexible, defined contribution plans generally offer a lower, tax-deductible contribution. The contribution can be adjusted annually and, under certain circumstances, a contribution can be “skipped” if the company has a year with inadequate cash flow to fund the plan.

With a defined contribution plan, both employers and employees can contribute to the plan. Employees bear the investment risk in a defined contribution plan.

Why Lafayette Life?

There are many retirement plan providers, so why should you entrust your retirement planning needs to Lafayette Life? We offer an experienced pension staff, innovative plan designs, multiple funding options and ongoing support and administration at competitive rates. Consider it “one stop shopping” for your business’ retirement planning needs.

The First Step

Whether your business emphasis is increasing your tax deduction or building retirement savings, Lafayette Life can assist you in designing a retirement plan to help you reach your long-term retirement goals.

Contact your Lafayette Life representative for a more thorough discussion and analysis of the retirement options available to your business.

We look forward to working with you!

*Lafayette Life Insurance Company only provides services in connection to pension plans as outlined in a separate Administrative Services Agreement and issues life insurance and annuity products that may be used as funding options. Lafayette Life does not serve as a plan administrator, nor does it provide legal or tax advice. This brochure is designed to provide general information only. These materials are not to be relied upon for legal or tax advice. Your personal or legal tax advisors should always be consulted.