

*CROSS TESTED PROFIT SHARING PLANS  
SAMPLE PRE-APPROACH LETTER TO CPA'S*

Dear CPA,

Profit Sharing plans have new rules? Allocations no longer have to be the same percentage for all employees and this presents exciting new planning opportunities for small business owners!

If you have clients who have, or wish to have, a Profit Sharing plan, please make them aware of this new opportunity. The example below uses the most recent allocation rules.

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|                      | <u>Age</u> | <u>Salary</u>    | <u>Traditional<br/>Profit Sharing<br/>Allocation</u> | <u>% of<br/>Salary</u> | <u>Cross Tested<br/>Profit Sharing<br/>Allocation</u> | <u>% of<br/>Salary</u> |
|----------------------|------------|------------------|--|------------------------|---|------------------------|
| <b>OWNER</b>         | <b>60</b>  | <b>\$196,000</b> | <b>\$29,400</b>                                      | <b>15%</b>             | <b>\$49,000</b>                                       | <b>25%</b>             |
| Employee             | 33         | 46,000           | 6,900  | 15%                    | 2,300   | 5%                     |
| Employee             | 34         | 47,000           | 7,050  | 15%                    | 2,350   | 5%                     |
| Employee             | 54         | 39,000           | 5,850  | 15%                    | 1,950   | 5%                     |
| Employee             | 42         | 35,000           | 5,250  | 15%                    | 1,750   | 5%                     |
| Employee             | 43         | <u>29,000</u>    | <u>4,350</u>   | 15%                    | <u>1,450</u>  | 5%                     |
|                      |            | <u>\$396,000</u> | <u>\$58,800</u>                                      |                        | <u>\$58,800</u>                                       |                        |
| <b>OWNER'S SHARE</b> |            |                  | <b>50%</b>   |                        | <b>83%</b>  |                        |

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The business owner almost double his (or her) own personal allocation without increasing the total Profit Sharing contribution. The new allocation, as a percentage of salary, is **FIVE TIMES** that of the other employees.

Would your small business clients benefit from this type of design?

I specialize in tax favored retirement plans for small businesses and owner friendly employee benefits. I will call you soon to see if I can be of service to you and your clients.

Sincerely,

Your name & signature goes here

***Ask us how your clients can receive retirement benefits - Tax Free***

\*\*This information is not intended as tax or legal advice. It is simply a sample of what can occur in one specific circumstance. Please consult your tax advisor or attorney for advice on your exact situation.

[Put this on your letterhead, call us if you want a word document copy of this letter]