



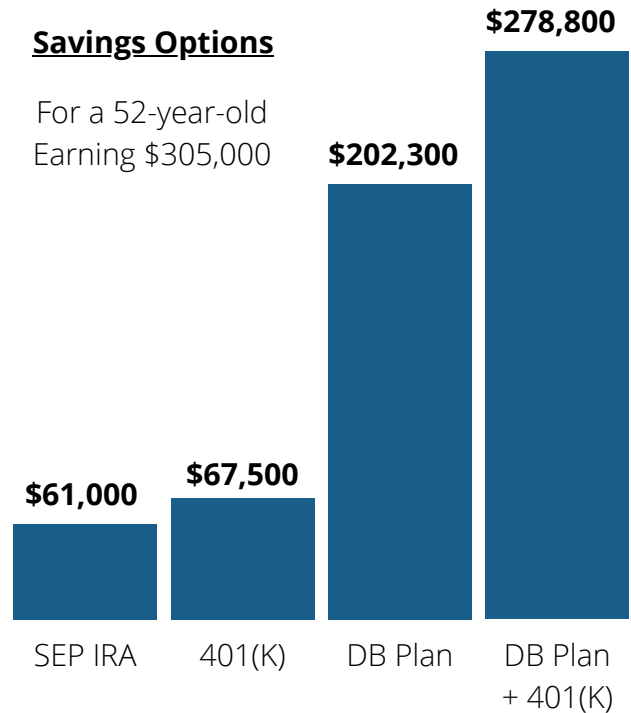
## Building Wealth and Deferring Taxable Income Using a Defined Benefit Plan

**Building Wealth is the goal.** Having the correct retirement plan may enable small business owners, individuals with self employment income, and consultants to retain more of their earnings and potentially grow their net worth .

A Defined Benefit (DB) Plan allows the highest potential contribution amount of any retirement plan. This powerful strategy is available to help high-income earners pursue retirement goals. Strategy is well-established and may provide enormous benefits.

### Savings Options

For a 52-year-old  
Earning \$305,000



### **Ideal candidates are:**

- Business owners who want to make larger, tax-advantaged contributions than are permitted in a SEP-IRA or 401(k)\*\*\*
- Business owners age 40+ and earn at least \$250,000/year
- Owners who expect to have cash flow to make contributions for at least 3-5+ years
- Owners who are willing to make limited contributions for some employees. Having few (or no) employees is typically an advantage for these plans.

### **DB Plans are utilized by many industries. They are popular with:**

Consultants	Physicians	Franchisees
Attorneys	E-commerce	Consultants
Realtors	Dentists	Architects
Farmers	Chiropractors	Marketers

\*\*\*If you're not maxing out a SEP-IRA or 401k (or you haven't explored these options), contact us to discuss these strategies

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## Examples of what a DB plan might look like:

Examples only. Each situation is different and an actuary will need to calculate the exact contribution for a specific plan.



Megan is a biologist. She earns \$150,000 consulting for pharmaceutical companies as a sole proprietor, in addition to her salaried position at the University. She is in the highest tax bracket (37%). She is 60 and plans to retire in 5 years.

Objective: Reduce Taxable Income

Strategy: DB Plan with max contribution for 5 years

<b>2022 Contribution:</b>	<b>\$145,000</b>	<b>5 year contribution target: \$750,000</b>
<b>Tax-deferred savings at 37%:</b>	<b>\$53,650</b>	<b>5 year tax-deferred savings: \$268,250</b>



Yasmin is 49 and runs a highly profitable E-commerce business. She typically earns \$450,000 and combined with her husband's salary, are well into the upper tax bracket. She wants to aggressively save over the next 10 years and wants to minimize taxes.

Objective: Maximize savings.  
Reduce Taxes

Strategy: DB Plan combined with a 401(K)

<b>2022 Contribution:</b>	<b>\$280,000</b>	<b>10 year contrib. target: \$2.5+ million</b>
<b>Tax-deferred savings at 37%:</b>	<b>\$103,600</b>	<b>10 year tax-def. savings: ~\$1.0 million</b>



Chris is an independent attorney who's income and expenses vary year to year. He feels behind on his retirement savings and wants to prioritize contributions of \$150k-\$200K dollars each year. Currently 55 years old, he hopes to retire at age 62.

Objective: Save for retirement  
Flexible contribution

Strategy: DB Plan (\$140K contribution)  
401k (\$0-60K flexible contribution)

<b>2022 Contribution:</b>	<b>\$170,000</b>	<b>7 year contrib. target: \$1-1.4 million</b>
<b>Tax-deferred savings at 32%:</b>	<b>\$54,400</b>	<b>7 year tax-def. savings: ~\$400,000</b>

**Building wealth with a defined benefit plan is a powerful strategy.**



**Dean Bennion**  
Managing Partner



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