

Small Business Retirement Planning?

We've Got Your Plan!

"Small" is about the only thing businesses in our marketplace have in common – and even that characteristic is open to interpretation. Their other distinguishing feature is that there is no "right plan" that fits all small businesses.

The "right plan" for a small business or professional depends on the specifics of the particular owner's needs and objectives – but frequently we see that the best plan for a business is usually related to the **life cycle** of the business – which is why American National offers a complete line of qualified retirement plans to meet **all** business owners' needs.

Following are appropriate retirement plans that frequently meet the needs of a business or professional based on the particular stage of their business or career.

New Business – usually a start up business is looking to provide a retirement plan at a minimal cost to the business. Plans that meet this criteria include:

- **Traditional 401(k) plan** – might only consist of employee deferrals or might also include a small company matching contribution to encourage participation in the plan by the employees.
- **Safe Harbor 401 (k) plan** – allows the owner to defer up to \$17,500 (plus an additional \$5,500 catch up contribution if 50 or older) in 2014. Company must be willing to contribute at least a 3% non elective contribution, or a matching contribution equal to 100% of the first 3% of participant deferrals plus 50% of any employee deferrals between 3% and 5% of salary. The company safe harbor contribution is always 100% vested.

Growing Business – these businesses are usually at least five years old and have reached a point where they're "making money and paying taxes". The owner is generally looking for a plan where he and his key employees get most of the plan contribution and the company can make a tax deductible plan contribution. Plans include:

- **New Comparability Profit Sharing Plan** – can be very effective if the owner and key employees are at least 5 years older than the other employees. These plans usually

include a safe harbor 401(k) feature.

- **Integrated Profit Sharing Plan** – can provide owners and highly paid employees with a larger share of the plan contribution than in a traditional profit sharing plan if their salaries are significantly higher than the other employees.
- **Traditional Profit Sharing or SEP Plan** – appropriate when employer wants to give the same percentage of salary to each participant as a contribution.

Successful Business – have consistently high income and profits creating large tax liabilities. Owner/professional usually middle aged or older with significant financial responsibilities also creating a need for large amounts of life insurance.

- **412(e)(3) Defined Benefit Plan*** – the "cadillac" of retirement plans. Can generate large tax deductions and insurance amounts. Appropriate for "high end" business owners and professionals. Only effective for small businesses – typically under 5 lives.
- **Traditional Defined Benefit Plan** – more appropriate for larger groups where a 412(e)(3) plan would be cost prohibitive or in situations where the company is not seeking the maximum tax deduction. Life insurance can also be included in the plan.
- **Cash Balance Defined Benefit Plan** – can be effective in "equalizing" the plan contribution for owners of varying ages who want larger contributions than what is available in a profit sharing or 401k plan.

All business situations are different and the above list is only intended to give you a general idea of the plans that may meet a particular owner's retirement objectives – something to start a discussion with them – and to convince them that taking a free look at a qualified plan proposal may be in their best interests!

Remember – you don't have to be a pension expert – the pension sales staff at American National is here to assist you in every stage of the sales process!

All we need is a census to get you started in the lucrative small business pension market.

Please join us for a webinar on June 11th or June 18th as we highlight the favorable plan designs available for the small business owner and professional.

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* The 412(e)(3) defined benefit pension plan is a tax-qualified retirement plan that must comply with the Employee Retirement Income Security Act of 1974, as amended (ERISA), the Internal Revenue Code of 1986, as amended and other applicable law. For these reasons, you may wish to consult an attorney in these matters before establishing a 412(e)(3) plan.

Neither American National Insurance Company nor its agents give tax advice. Clients should contact their attorney or tax advisor on their specific situation.
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