

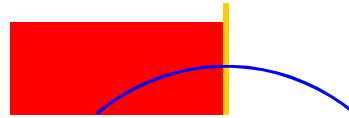
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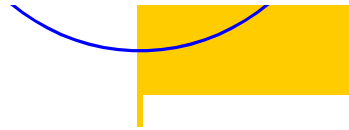
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§412(i)



Benefit Systems, Inc.



Smooth Planning.
Smart Solutions.

Tel: (512) 458-3888

§412(i) Benefits

- *Higher contribution limits than any other plan*
- *Allows older business owners to save enough for a comfortable retirement*
- *Retirement benefits are guaranteed*
- *Immediate financial protection for participant's family in the event of pre-retirement death*
- *Higher contributions/deductions in earlier years*
- *Less expensive to maintain than other defined benefit plans*
- *No actuarial certification required*
- *Not subject to full funding limitation tests of regular defined benefit plans*
- *Provides an understandable accrued benefit for participants*
- *Conservative plan assets help balance investment portfolio*

§412(i) Quick Answers

- **What is a §412(i) Plan?** A §412(i) Plan is a defined benefit plan funded solely with insurance and annuity products.
- **Is it new?** No. §412(i) is a sub-section of IRS Code §412 that deals with funding rules for defined benefit plans. The rules were a result of ERISA which was passed in 1974. §412(i) provides an exception (by providing fully insured benefits) to the otherwise stringent funding requirements under §412.
- **What are the advantages over a traditional defined benefit plan?** A §412(i) plan:
 - Does not require an actuary
 - Is not subject to full funding limitation tests
 - Is required to use annuity or life guaranteed contract rates, thus protecting from IRS attack as unreasonable funding assumptions
 - Effectively produces an "individual account balance" plan: Accrued benefit=cash value
 - Creates larger initial deductions since guaranteed rates are typically lower than traditional funding assumptions
 - Retirement benefits are guaranteed by insurance company

Is 412(i) the right retirement vehicle for me?

If you are a successful small business owner, are in your late 40's or older, and desire the maximum contribution and tax deduction possible, the §412(i) may be the best vehicle possible for your situation. §412(i) works best if you have less than 10 employees and your income and age level are greater than your employees. As with all defined benefit plans, the funding requirements are not flexible from year to year. The 412(i) is appropriate for any business structure: Sole proprietor, S-Corp, C-Corp, Partnership.

BSI §412(i) is simple and inexpensive

Setup and administration for a §412(i) Plan is easy and affordable. You will need an approved plan document and an annual IRS Form 5500 is required.

The BSI §412(i): \$750 Document set-up fee. Annual fee of \$750, which includes 5500 filing.

Assumptions:

1. Annual salary is in excess of \$160,000
2. "Life Only" annuity is target at normal retirement age
3. Guaranteed 3% interest on annuity during accumulation phase
4. 3% Whole Life guaranteed cash values illustrated if life insurance used
5. Guaranteed annuity purchase rates at normal retirement age
6. Excess interest on annuity and dividends on life insurance must be used to reduce the subsequent years contribution

Higher Contribution Levels = Greater Tax Savings

	Maximum Monthly Benefit	Annuity Only	Annuity & Life Insurance
40	13,333	75,026.96	118,806.70
41	13,333	79,893.79	125,128.48
42	13,333	85,266.04	131,981.25
43	13,333	91,218.52	139,523.54
44	13,333	97,848.95	147,715.87
45	13,333	105,283.44	156,841.52
46	13,333	113,660.68	166,931.95
47	13,333	123,183.33	178,179.07
48	13,333	134,088.47	190,960.19
49	13,333	146,700.42	205,475.20
50	13,333	161,432.69	222,218.85
51	13,333	178,882.88	241,797.18
52	13,333	199,849.51	265,042.95
53	13,333	194,011.98	261,228.02
54	13,333	188,191.62	257,510.27
55	13,333	182,415.14	253,917.31
56	12,000	185,260.15	251,953.78
57	10,666	188,139.14	249,789.27
58	9,333	191,050.51	247,168.13
59	8,000	193,992.01	244,420.90
60	6,667	196,960.31	241,305.33
61	7,199	205,699.64	259,052.77
62	7,782	215,308.54	279,119.41
63	8,423	224,865.04	288,675.91
64	9,127	235,093.81	320,540.81

Send Me an Illustration!

Name (Business Owner) _____

Plan Sponsor (Business Name) _____

Business Entity (Sole Prop, S Corp, Partnership, etc.) _____

Phone _____ FAX _____

Email Address _____

Date Business Commenced _____ Tax Year End _____

Address _____

City, State ZIP _____

Do owners have any ownership interest in any other business? Y / N

Approximate contribution desired? \$ _____

Any current pension plan in force? Y / N

If yes, amount of current assets in plan: \$ _____

Has any owner ever participated in a Defined Benefit Plan? Y / N

PLEASE ATTACH OR EMAIL CENSUS INFORMATION ON ALL EMPLOYEES:

NAME
SEX
DATE OF BIRTH
DATE OF HIRE
W-2 SALARY
K-1 INCOME (IF APPLICABLE)
EMPLOYEE STATUS (F=FULL TIME >1,000 HOURS PER YEAR / P=PART-TIME < 1,000 HOURS)
OWNERSHIP PERCENTAGE (IF APPLICABLE)
OFFICER TITLE (IF APPLICABLE)
RELATIONSHIP TO OWNER (IF APPLICABLE)

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