

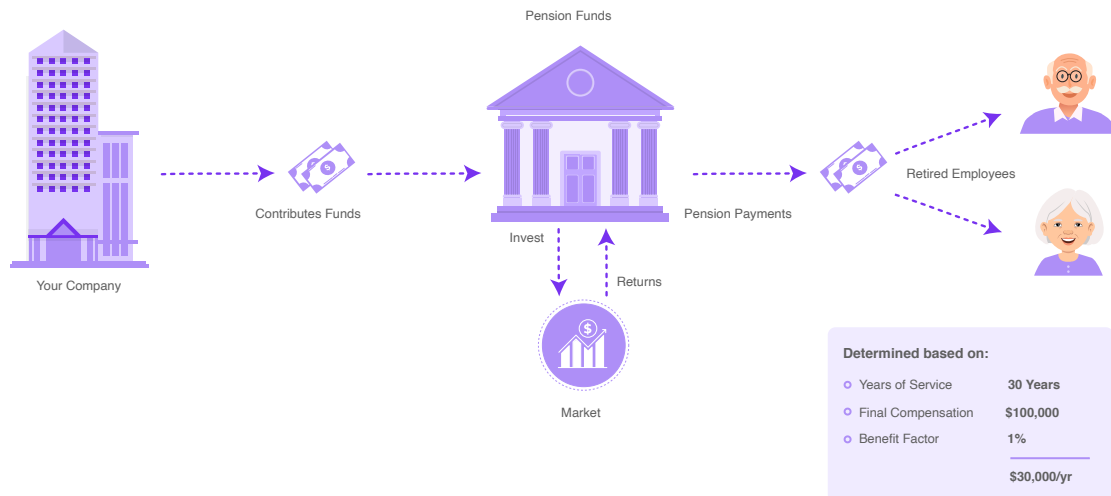


Defined Benefit Plans

Defined Benefit Plans, also called "Pension Plans" provide a fixed, pre-established retirement plan for employees. Creating pension plans for your employees might be a smart move as a business owner. Let's explore some reasons why a pension plan could be beneficial to both you and your employees.

See Tax Code 26 U.S. Code § 401 - Qualified pension, profit-sharing, and stock bonus plans

What Is A Defined Benefit Plan?



Is This Strategy Right For Your Business?



This strategy can be utilized by a business of any size and entity type



Pension plans require an administrator to project how much needs to be contributed to the plan each year



Ensure contribution requirements are met exactly. There are penalties for adding too little or too much



Vesting can follow a variety of schedules from immediate to spread out over 7 years



Contributions are tax deductible for the business



Your company is responsible for managing the investments of the fund. This can be outsourced to a 3rd party



Pension payments can be paid out monthly or as a lump sum upon retirement



Pension plans require you to file a Form 5500 with Schedule SB each year



Tax Year 2021



Advantage

- Contributions are tax deductible for the business
- Can be used alongside other retirement plans
- Can be used for a business of any size
- Substantial benefits can be provided and accrued within a short time — even with early retirement
- Employers can contribute (and deduct) more than under other retirement plans
- Plan provides a predictable benefit
- Vesting can follow a variety of schedules from immediate to spread out over seven years
- Benefits are not dependent on asset returns
- Plan can be used to promote certain business strategies by offering subsidized early retirement benefits
- Can be paid out as a monthly benefit or as a lump sum payment
- Advantageous for businesses that are looking to offset large amounts of taxable income

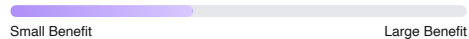


Disadvantage

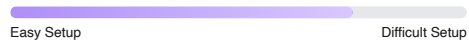
- Most costly type of plan
- Most administratively complex
- An excise tax applies if the minimum contribution requirement is not satisfied
- An excise tax applies if excess contributions are made
- Requires filing of Form 5500 with a Schedule SB
- Cannot retroactively decrease benefits
- Company must be responsible for managing the plan's investments and risk
- Business will need a pension administrator responsible for fund management
- Once set up, this plan is difficult to turn off

Tax Planner Pro Rankings: 14 Days Home Rental

Strategy Overall Benefit



Difficulty Rating



Audit Risk



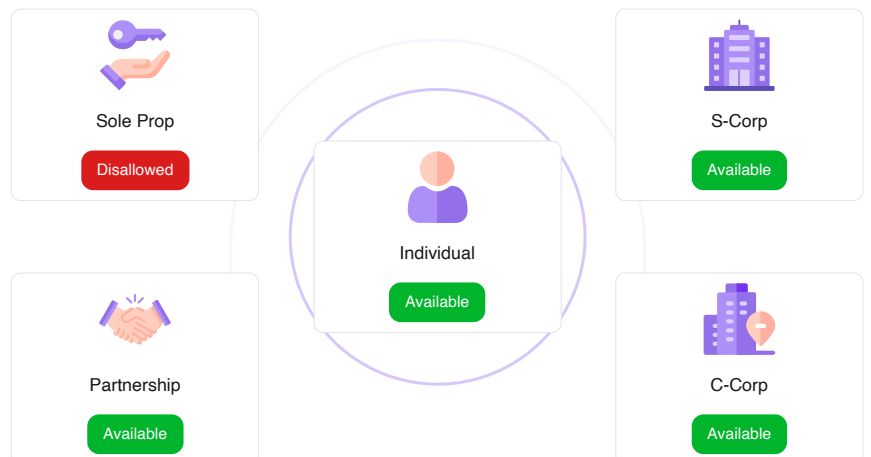
Aggressiveness Rating



Implementation Deadline

December 31st of the current tax year

Entity Availability



DISCLAIMER

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