

Price & Farrington's Estate Planning

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Estate, Tax and Family Wealth Preservation Planning For Advisors

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The PFP 412(i) Defined Benefit Pension Plan: A Powerful Income Tax and Retirement Planning



"The problem is, you've been treating your money as if it were yours."

your downside and your equity upside. And while the retirement benefits are calculated on the guaranteed part of the contract, the historic return on indexed annuities generally exceeds that rate, allowing you to make larger, tax-deductible contributions.

The IRA "Rollback". You can "roll back" your IRA into the PFP Premier 412(i) Plan. How? You and your spouse elect a Qualified Joint and Survivor Annuity. On your deaths the benefits are forfeited to the other plan members (presumably your children), with *no estate taxes owed* on the benefits forfeited back to the plan. The forfeiture also reduces future contributions required to be made by the surviving plan participants (the children). A huge tax savings.

Fair Warning. The PFP Premier 412(i) Plan is a customized trust instrument which, along with implementation and administration of the plan, must strictly comply with the law or the deduction will be disallowed and the plan invalidated. *It is important that you consult a competent tax and ERISA lawyer to establish and maintain a 412(i) plan.*

The PFP Premier 412(i) Plan presents a powerful, little known opportunity for you. If you would like to learn more, please contact us.



Glen D. Price

Comprehensive Estate, Tax,
Business and Retirement Plan-
ning Services are Provided by
Price & Farrington
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With estate tax repeal on the horizon, many of our clients are turning to us for advice on identifying *income* tax planning opportunities. Let's examine a powerful plan you can use that allows you to make large contributions to your retirement plan.

What is an effective way—unknown to many of your advisors—for you to establish a pension plan (similar to the plan Boeing has in place for its employees) that offers incredible tax planning opportunities? The PFP Premier 412(i) Plan is a proprietary, custom-designed defined benefit pension plan established under Section 412(i) of the Internal Revenue Code, which offers the following benefits:

- T The plan is inexpensive to create and maintain.
- T You receive immediate income tax deductions.
- T Your plan assets grow income tax-deferred.
- T You can make large plan contributions.
- T Your plan assets are creditor protected.
- T Your plan benefits are fully guaranteed.
- T Your FLP or LLC can adopt the plan.
- T No plan actuary is required.
- T Your plan is governed by ERISA rules.
- T Your plan can eliminate estate taxes on an IRA.

Planning opportunities. Here is a real opportunity for you to fund your retirement plan with dramatically larger contributions if your

income is \$200,000 or more.

Benefits of the 412(i) Plan. The PFP Premier 412(i) Plan is appropriate for high income small business owners or high income individuals with an FLP or LLC who want to take advantage of tax deductions granted in the Code to defined benefit pension plans. The plan is inexpensive to establish and maintain, and all contributions are tax-deductible.

How does the PFP 412(i) Plan Work? The plan is designed by determining how much retirement income you will need and then calculating the amount which is required to be contributed annually to reach that goal. The plan permits a tax deduction for 100% of the contributions are made to the plan to meet this goal.

Tax-deferred growth. Plan assets grow income tax-deferred and taxes are paid only when benefits are distributed at retirement. Think of it this way: *for each dollar you contribute to a 412(i) plan, the government funds thirty to forty cents for your retirement through the available tax deduction.* While growing income tax-deferred plan assets are also creditor protected. The most notorious example of this is the infamous O.J. Simpson's ongoing ability to protect his \$25,000 monthly NFL retirement distributions from the \$30 million dollar civil judgment won against him.

Larger contributions. In addition, the government permits you to contribute *substantially more money* to a 412(i) plan than to an IRA, 401(k), profit sharing or defined benefit pension plan, allowing you to receive an income tax deduction of up to \$300,000 annually by funding your 412(i) plan. This makes it a uniquely powerful technique for you to plan aggressively for retirement while enjoying large, immediate income tax deductions.

Guaranteed benefits. PFP Premier 412(i) Plan benefits are fully guaranteed by the life insurance or annuity contracts which the plan is required to own. For example, you, as the investor, receive a *Guaranteed* 2-4% interest on the account or 80-90% of the annual return of the S&P 500, *whichever is greater.* (How does that sound after the stock market's recent dive?) This arrangement very effectively protects both

Quotables

- ♦ "There is no traffic jam on the extra mile."
- ♦ "Retirement takes all the fun out of Saturdays."
- ♦ "Good character, like good soup, is made at home."
- ♦ "If the mind should go blank, don't forget to turn off the sound."
- ♦ "April is the cruelest month. Tax returns are due."