Sample

Two Member LLC

PRELIMINARY RETIREMENT PLAN PROPOSAL

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NRA age 65 or 5 years' Participation

National Pension Partners
Nick Paleveda, MBA, J.D., LL.M, CEO
Maxwell A. Coulliette, CLU, ChFC, CFP, Pres.
Terry W. Rushton, MBA, CPA, Sr. Pens. Consultant
6995 Union Park Center, #190
Cottonwood Heights, UT 84047
Telephone – (877) 252-1692
www.NationalPensions.com

Introduction

Retirement is a vital component of any solid financial plan. At National Pension Partners, our goal is to provide you with a retirement plan that is suited to your situation and will achieve your goals within your budget. A comfortable, financially secure retirement is the reward for many years of sacrifice and hard work. It may also be needed at a time when even minor health issues reduce one's capacity or energy to sustain a small business. Our plans allow for some flexibility, but it is vital that we work closely with you and your CPA to make changes on a proactive basis. The proposal presented here is a place to start a detailed discussion of your goals and concerns.

This retirement program has three elements:

<u>The first element is a defined benefit plan</u>. This plan is designed for a key group of employees, no less than 40% of the eligible employees. This plan will provide a guaranteed income for life beginning at normal retirement age, or a lump sum distribution. Currently, the law mandates that Normal Retirement Age cannot be less than age 62 to 65 or 5 years of participation. This plan is funded with guaranteed pension annuities. The pension annuities must meet the specifications of the Internal Revenue Service and the Department of Labor. The contracts offered by the insurance carrier must have a guaranteed rate. The plan may also have guaranteed death benefits as long as they comply with Revenue Ruling 74-307.

The plan may actually earn more or less than 3%, but we use that assumption in designing the plan. This combination of the pension plan with the 401(k) Profit

Sharing plan will generally provide the optimal tax deduction and the most secure retirement program for you and your family.

The second element is a profit sharing plan. This plan must be made available to all participants who are not in the defined benefit plan. Contributions are generally 7.5% of pay.

The third is a 401(k) Plan. This plan allows employees to defer from income tax part of their compensation up to $18,000 until they reach age 50. At age 50, in addition to the $18,000 regular salary deferral, the law allows a catch-up contribution of $6,000. The company may contribute to this plan. The investments are primarily mutual funds.

Preliminary Retirement Plan Proposal
Plan Year Beginning January 1, 2015

NRA 65 or 5 years' Participation

EMPLOYEE NAME	ELIGIBLE COMPENSATION	ELECTIVE DEFERRAL	EMPLOYER PROFIT SHARING CONTRIBUTION	EMPLOYER GUARANTEED PENSION CONTRIBUTION	TOTAL CONTRIBUTION
Defined Benefit Plan					
Husband age 53	128,000	18,000	7,680	128,255	153,935
Wife Age 46	128,000	18,000	7,680	70,351	96031
Total 401-PS & DB Plan		36,000	15,360	198,606	249,966

Estimated 5-year tax deferral - $594,826

TAX SAVINGS	
Retirement Contribution	198,606
Federal @ 39.6%	78,648
State (North Carolina) @ 5.75%	9,930
Medicare, etc. @ 15.3%	30,387
Total	**118,965**

Optimal salary for retirement benefits is $210,000 in 2015 (reduced 10% for each year funding is less than 10 years). Optimal salary for testing is $265,000. Only 40% of employees need to be in the DB plan-401(a) (26)

Key Elements of Retirement Plans

Based on the data we received, we created this plan design as an initial proposal. This does not include every alternative. It is offered as a place to start our exploration of your goals and concerns. Each plan may operate collectively or independently.

This plan has three key elements to maximize your tax deduction and to provide a secure retirement.

The first element is a fully guaranteed defined benefit plan to provide retirement security in the form of a guaranteed monthly income.

The second element is a profit sharing plan to which you can contribute 7.5% of pay, or 25% of pay if the defined benefit plan is covered by the PBGC, with a maximum contribution of $53,000.

The third element is a 401(k) employee contribution. The maximum contribution is $18,000-however, any participant may contribute an additional $6,000 if age 50 or older. 401(k) Elective deferrals are considered employee contributions and are subject to Social Security and Medicare taxes. 401(k) contributions are excluded for State and Federal Income Tax purposes.

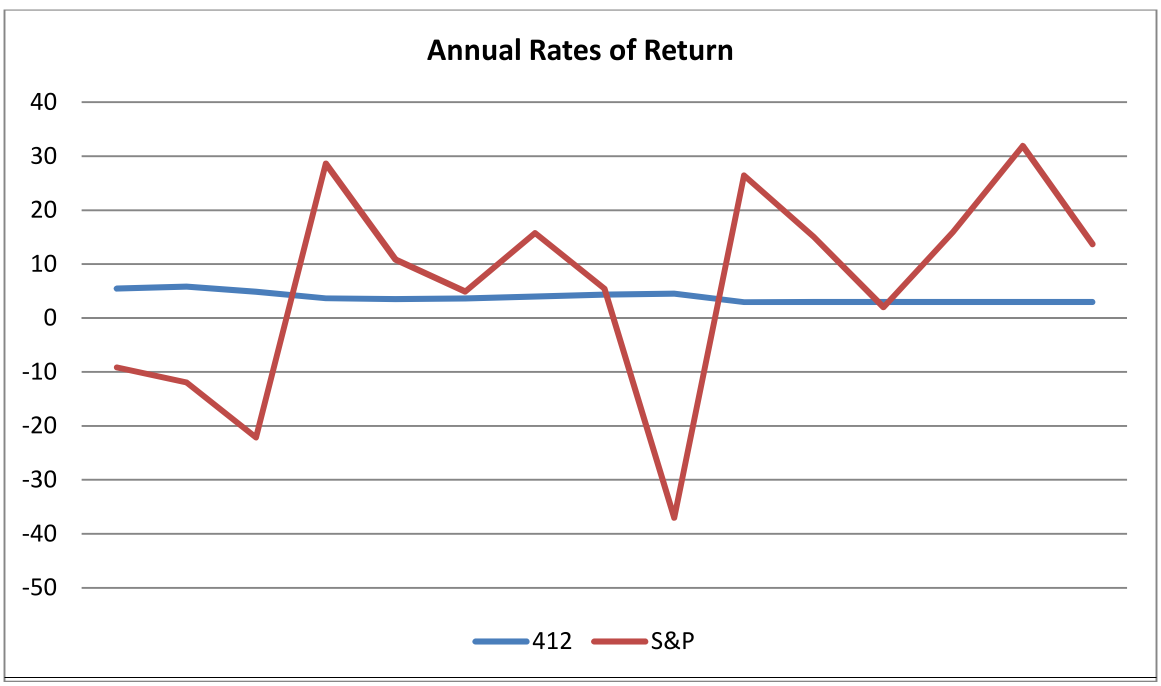
For purposes of this plan design, considered compensation for testing the calculation is limited to $265,000 in 2015.

Pension Investments-Guaranteed Retirement v. S&P 500

Pension Annuity vs. S&P 500

Comparison of Pension Annuity and the S&P 500 since the year 2000

	Contribution	Running Total Pension Annuity	Rate	Contribution	Running Total S&P 500	Rate
2000	100,000	105,550	5.55	100,000	90,860	-9.10
2001	100,000	217,575	5.85	100,000	168,202	-11.89
2002	100,000	332,997	4.85	100,000	208,130	-22.10
2003	100,000	449,018	3.70	100,000	397,542	28.69
2004	100,000	568,233	3.50	100,000	551,710	10.88
2005	100,000	692,623	3.65	100,000	683,709	4.91
2006	100,000	824,372	4.00	100,000	907,456	15.79
2007	100,000	964,535	4.35	100,000	1,062,745	5.49
2008	100,000	1,112,439	4.50	100,000	669,529	-37
2009	100,000	1,245,812	3.00	100,000	943,606	26.46
2010	100,000	1,386,186	3.00	100,000	1,085,713	15.06
2011	100,000	1,427,777	3.00	100,000	1,107,970	2.05
2012	100,000	1,470,610	3.00	100,000	1,285,245	16.00
2013	100,000	1,617,728	3.00	100,000	1,827,138	31.90
2014	100,000	1,769,260	3.00	100,000	2,190,963	13.69



KEY EMPLOYEE PENSION BENEFITS ONLY
Plan Year Beginning January 1, 2015

Retirement age 65 or 5 yrs Participation

EMPLOYEE NAME	SALARY	MONTHLY BENEFIT	LUMP SUM	DEATH BENEFIT
Husband	250,000	10,675	1,670,579	1,067,500
Wife	250,000	10,675	1,670,579	1,067,500

Benefits cannot be above the maximum Section 415 limit. Benefits at this level will not increase unless there is a COLA adjustment. Contributions may decrease if the plan earns more than the guaranteed crediting rate. Contributions could also increase if the maximum benefit or considered compensation levels increase. Additional employees may increase employer costs. You must consider the vesting and participation rules carefully.

Preliminary study

- Pension contributions may vary in the final plan design. Younger participants have more time to fund. Death benefits follow the IRS guidelines for a QPSA under Revenue Ruling 74-307.
- Disability benefits are based on accruals in the plan at the time of disability.
- Lifetime income is mandatory while the plan is active. A lump sum may be taken at termination.
- Funds within the plan grow at 3% per year, or the crediting/dividend rate (current declared interest or dividend rate) of the insurance company, whichever is greater. A lower crediting rate increases the contribution.
- Death benefits are contingent upon passing a physical.

These benefits do not include benefits you may receive from a 401(k)/Profit Sharing Plan, which are not guaranteed. The plan is funded with annuity and/or life insurance contracts and the assets are protected within limits by the National Organization of Life and Health Guarantee Association. Visit www.nolhga.org

Tax savings in a qualified plan can be substantial. In addition, this plan falls under Title One of ERISA and is not subject to bankruptcy, garnishment or attachment.

Your plan is subject to the rules of the Internal Revenue Service, the Department of Labor, the Employee Benefit Security Administration, and the PBGC.

This proposal is for discussion only. The final plan design may vary based on further conversations and the choice of the insurance carrier. Although the minimum allocation aggregation gateway has been satisfied, 401(a)-4 must pass independently.