Here are a few examples of how the fully Insured DB plan can work for your clients

Independent Consultant Wants Maximum Contribution to Reduce Taxes

James, age 52, is a Management Consultant, and his business is incorporated. He's in his peak earning years with an annual income of $300,000. He plans to retire in 10 years at age 62. He's looking for a way to reduce taxes and increase his retirement assets significantly. With his existing 401(k) Plan, James can only contribute **$56,500**. At the 38% marginal rate, with his 401(k) Plan, James saves only **$21,400** on combined federal and state income taxes in 2013.

Solution: A fully insured 412 (e)(3)defined benefit plan for 10 years

Annual DB Contribution: **$173,800**

Annual DB Tax Savings at 38%: **$66,000**

Estimated DB Accumulation at Retirement: **$2.48 Million**

Annual DB Benefit in Retirement: **$205,000**

James can add a 401(k) and contribute an additional **$38,300** for a total contribution and deduction in 2013 of **$212,100**.

Professor Secures Retirement with Side Income

Walter, age 56, teaches in the University Business School and consults on the side. He has a 403(b) retirement plan at the University but wants to retire in 6 years with more income than that plan will be able to deliver. His consulting income after he pays half of his self-employment tax has been at least **$150,000** for the past five years. He would like to contribute as much of his annual consulting income as possible to a retirement plan. With 412 (e)(3), in 2013 he could contribute **$120,000** based on his consulting income — 80% of his consulting income — to his retirement. Tax savings at the combined federal and state tax rate of 38% would be **$45,600**.

Solution: A fully insured 412 (e)(3)for 6 years based on consulting income

Annual DB Contribution: **$120,000**

Annual DB Tax Savings at 38%: **$45,600**

Estimated DB Accumulation at age 62: **$866,300**

Annual DB Benefit in Retirement: **$71,400**

In order to fund his 2013 contribution of **$120,000**, Walter can use his consulting income, his salary or a portion of his taxable investments. By moving taxable investments to 412 (e)(3), next year he will have less investment income that is taxable and more that is tax-deferred, lowering his overall current taxes. This year his contribution to fully insured 412 (e)(3)eliminates current taxes on 80% of his consulting income.

Medical Couple Diversifies

Christine, age 58, and **Bill, age 60**, are married and each earns $255,000 a year in their anesthesiology practice. Most of their income has been invested in their business and real estate. Now they are ready to balance the risk of real estate with more diversified investments.

Solution: A fully insured 412 (e)(3) for 5 years invested in mutual funds

Annual Contribution for Christine: **$210,900**

Annual Contribution for Bill: **$201,200**

Combined Annual Tax Savings at 38%: **$156,500**

Advisor creates conservative portfolio. Christine's builds to **$1.21 Million** over the next 5 years when she turns 63 and Bill's totals **$1.15 Million** in just 5 years when he reaches 65.

Projected combined annual benefit: **$205,000** or they can roll the lump sum into IRAs.

Dentist Moves Up Retirement Date

Mollie, age 55, has a thriving dental office, with 3 younger employees. She's worked hard to get to this point, with W-2 income more than $400,000 a year, and would like to retire by age 62.

Solution: A fully insured 412 (e)(3) with maximum retirement plan contributions for 7 years for business owner.

Annual Contribution for Mollie: **$197,800**

Annual Contribution Total for 3 Employees: **$34,100**

First Year Tax Savings for the business: **$88,100**

Estimated Accumulation at age 62 for Mollie: **$1.73 Million**

Projected Annual Benefit for Mollie:**$143,500**

Engineer Builds in Flexibility by Adding a 401(k)

Kumar, age 48, a software engineer, will earn about $135,000 W-2 income from his S Corporation in 2013. He wants as high a contribution as possible in 2013 but his income might be lower next year.

Solution: A fully insured 412 (e)(3)and a 401(k)

Annual Contribution to 412 (e)(3): **$68,800**

Optional Contribution to a 401(k) this year: **$25,600**

Total Contribution in 2013: **$94,400**

First Year Tax Savings: **$35,800**

Estimated Defined Benefit Accumulation at 62: **$1.63 Million**

Projected Annual Benefit in Retirement:**$135,000**
In future years, if Kumar's income is lower, he can make his contribution to the Defined Benefit plan but he can reduce or eliminate 401(k) contribution.