

Our high contribution retirement plans may allow your self-employed and small business clients to take advantage of the pass-through deduction



**SEE HOW MUCH YOU OR YOUR CLIENT COULD CONTRIBUTE & SAVE ON TAXES**

**GET STARTED**

## Using Retirement Plans to Qualify for Section 199A Pass-Through Deduction

Cash Balance and Defined Benefit plans can potentially bring your small business and self-employed clients below the taxable income thresholds (\$326,600 married tax payer, \$163,300 single tax payer in 2021) and save them tens of thousands of dollars in tax liability. These plans offer large “above the line” tax deductions. In many cases, these deductions lower taxable income sufficiently to qualify the tax payer for the additional 20% deduction and even lower their tax bracket.

### Sole Proprietor Opens Defined Benefit + 401(k) Plan to Build Retirement Wealth

#### PROFILE

James, age 53, is married. He owns a successful financial advisory with no employees. James nets \$500,000 (after paying self-employment tax) as an independent financial advisor and would like to retain more of his earnings.

#### DEDUCTION

As an owner of a pass-through entity, the advisor could qualify for a tax deduction (Section 199A) of up to 20% of his Qualified Business Income if his income is below the \$326,600 threshold for married couples.

#### OBJECTIVE

Build retirement wealth while maximizing tax savings

#### SOLUTION

Defined Benefit Plan and 401(k) for 10 years

#### With a DB + 401(k) Plan

Net Profit:	\$500,000
DB + 401(k) Contribution:	<b>\$253,400</b>
Qualified Business Income:	\$261,900
Pass-through Deduction:	<b>\$52,380</b>
<b>Taxable Income:</b>	<b>\$209,520</b>

**\$38,440 Tax Bill**  
**\$93,760 Tax Savings\***

\* Compared to no DB/401(k) and 199A deduction. Assumes estimated 31% federal and 6% state tax rates. This example is based on specific assumptions and is used for illustrative purposes only.

**Do you have a high-income client like this?**

**Learn More about Defined Benefit Plans**

## Small Business Owner Opens Cash Balance + 401(k) Plan to Maximize Tax Savings

### PROFILE

Dr. Smith is 62 years old and married. She has 4 employees. She generates income through her business and is paid W-2 income. With a healthy income of \$635,000 a year, Dr. Smith would be a suitable candidate to use a Cash Balance and 401(k) Profit Sharing plan in order to lower her taxable income.

### DEDUCTION

As an owner of a pass-through entity, the doctor could qualify for a tax deduction (Section 199A) of up to 20% of her Qualified Business Income if her taxable income is below the \$326,600 threshold for married couples.

### OBJECTIVE

Lower taxable income to maximize tax savings

### SOLUTION

Cash Balance with 401(k) Profit Sharing Plan

### With a CB + 401(k) Plan

Net Profit:	\$635,000
CB + 401(k) Contribution:	<b>\$346,400</b>
Qualified Business Income:	\$288,600
Pass-through Deduction:	<b>\$57,720</b>
<b>Taxable Income:</b>	<b>\$230,880</b>

**\$43,450 Tax Bill**  
**\$128,170 Tax Savings\***

\*Compared to no CB/401(k) and 199A deduction

For Dr. Smith, a Cash Balance and 401(k) Profit Sharing Plan offers a tremendous amount of value both in retirement savings (\$336,510 for her, \$9,900 for the employees) and tax savings

**Do you have a high-income client like this?**

[Learn More about Cash Balance Plans](#)

## Typical Client Profiles

If you have clients who are independent professionals, small business owners or individuals with side income, a high contribution retirement plan might help them save on taxes and build retirement wealth.

[See More Client Examples](#)

## Ready to Talk?

Our Plan Consultants are **ALWAYS AVAILABLE**, even on weekends by appointment to help you help your clients.

CALL: 866-269-2706

or contact us at [DBPlans@dedicated-db.com](mailto:DBPlans@dedicated-db.com) when you have small business retirement questions.

**We are here for you.**

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