Dedicated DB
Defined Benefit Services
part of FuturePlan by Ascensus®

866-269-2706
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Defined Benefit Plans for Board Director

Defined Benefit plans provide the optimal retirement plan for members of high-paying corporate boards. Independent directors generally are paid in stock and cash – the cash fees are considered compensation to fund a retirement plan.

Advantages of Defined Benefit Plans for Board Directors

1. Large deductible contributions help them reduce tax liability and hold onto more of the income
2. This "side" income generally is not needed for cash flow to maintain current lifestyle
3. Board member term is known in advance so the plan can be designed to better meet the client's objectives

We partner with advisors who provide financial and tax consulting for these executives. In the past, these executives have contributed to SEPs based on their side income, but contributions were maxing out at $66,000. A OnePersonPlus® Defined Benefit plan allows the highest retirement plan contributions for individuals with this type of self-employment income.

Donald, age 65, has had board income since 2008. He maxed out his SEP contribution each year and wanted to do more. In 2023 his advisor helped him open a Defined Benefit plan.

2023 SIDE INCOME
$345,000

MAX SEP CONTRIBUTION
$66,000

ACTUAL 2023 DB CONTRIBUTION
$316,600

ESTIMATED ANNUAL TAX SAVINGS
$117,140
— COMBINED MARGINAL TAX OF 37%*

ESTIMATED DB ACCUMULATION AT 70
$1.75 million
— FIVE YEARS, 5%-7% RETURN

Susan, age 56, has $200,000 in sole proprietor income for the past several years from board of director fees and speeches (after paying self-employment taxes) and plans to roll off the board at age 62.

DB PLAN FOR SIX YEARS ANNUAL BOARD FEES
$200,000

2023 DB CONTRIBUTION
$191,700

ESTIMATED TAX SAVINGS @37%*
$70,930

PROJECTED DB ACCUMULATION
$1.34 million

Special Considerations for Board Directors

- Payment for board service can come in a variety of forms: cash, stock option credit, and stock options. However, the only income that can be considered for defined benefit purposes is that which is taxable in the current year.
- Contribution to a Defined Benefit plan that is based upon board fee compensation can be enhanced by the addition of a Solo 401(k). However, if the director is still working for another company into which he/she is deferring salary, deferrals cannot be duplicated. The annual limit of $22,500 or $30,000 (if older than age 50), for Solo(k) on salary deferrals cannot be exceeded.
- If you are on multiple boards, income can be aggregated for plan purposes.

*Assumes estimated 31% federal and 6% state tax rates.
These examples are based on specific assumptions and are used for illustrative purposes only.

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