

Who's Opening Defined Benefit Plans? And Why?



Many high-income clients who you wouldn't expect are boosting their contributions and savings every year with **defined benefit** and **cash balance** plans. These plans are the most tax-advantaged programs approved by the IRS, yet many clients may not know they exist.

The team at Dedicated Defined Benefit Services has analyzed the types of high-income, self-employed clients who are opening these plans with us. The results may surprise you.



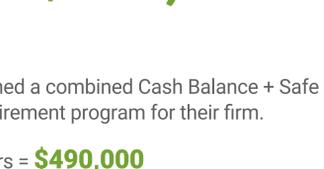
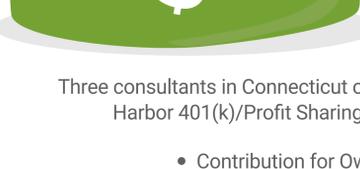
Clients can **double** or **triple** their retirement plan contributions, and **reduce** their tax liabilities with a Defined Benefit plan.

Average Contribution in 2018:

\$170,000

Highest Contribution in 2018:

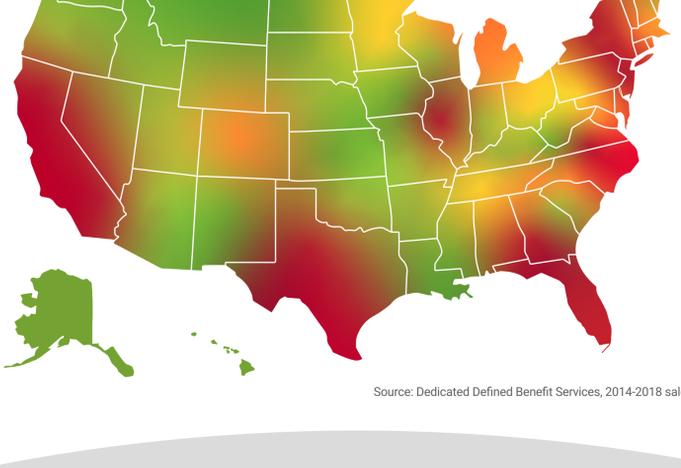
\$523,000



Three consultants in Connecticut opened a combined Cash Balance + Safe Harbor 401(k)/Profit Sharing retirement program for their firm.

- Contribution for Owners = **\$490,000**
- Business Contributions for 4 Employees = **\$33,000**
- Percent of Contribution for Owners = **94%**
- Estimated Tax Savings for Owners = **\$162,000**

There Are Qualified Clients in Every State



Source: Dedicated Defined Benefit Services, 2014-2018 sales data



Dedicated Defined Benefit Services provides expert concierge services to advisors across the U.S. We are always just a phone call away.

Try our do-it-yourself [Defined Benefit Calculator](#).

It lets you compare SIMPLE, SEP-IRA, 401(k), and Defined Benefit plans for solo practitioners, mom & pops, consultants, physicians, and other high-income, self-employed professionals.

5 Top Occupations Opening Defined Benefit and Cash Balance Plans

(Rank based on Percentage of Opened Plans)

Occupations	Average Contribution Average Estimated Tax Savings*	Types of Clients
1. Medicine	\$129,800 \$48,000	Anesthesia, Dentistry, Plastic Surgery, Psychiatry, Tele Doctor
2. Consulting	\$156,500 \$57,900	RIA, CFP, CPA, Wealth Management
3. Financial Advisor	\$152,000 \$56,200	Management Consulting, Fashion Consulting, Environmental Consulting
4. Real Estate	\$170,700 \$63,100	Real Estate Sales, Development, Property Management, Commercial Real Estate
5. Sales	\$187,900 \$69,500	Internet Sales, Video Game Sales, Business Broker, Wholesaler

*Assumes a combined federal and state marginal tax rate of 37%
Source: Dedicated Defined Benefit Services, 2018 sales data

5 Surprising Occupations Opening Defined Benefit and Cash Balance Plans

1. Board Director

A 65-year-old owns and runs a business consultancy. She also teaches, gives speeches and sits on multiple boards, each of which pays her sizable fees. She and her husband have a combined business income exceeding \$2 million. Their defined benefit plan allows them to contribute \$519,000 annually, beginning in 2018.



2. Concrete Contractor

A concrete contractor in Georgia, aged 46, has an S corporation and pays himself \$100,000 in W-2 income. He can put \$25,000 into a 401(k)/profit sharing plan and the company will contribute \$62,500 each year to a defined benefit plan for him. If he keeps the business and the plan for 10 years, he will accumulate about \$1.1 million tax-deferred in the DB plan alone.



3. Farmer

A farmer in Illinois, aged 58, has had a large increase in grain sales which is contracted to continue over the next several years. He operates as a sole proprietor and his workers are part-time and independent. In 2018, his net profit exceeded \$450,000. By opening a defined benefit and 401(k) combination of plans, he can contribute \$270,000 toward his retirement each year.



4. Life Coach

A 32-year-old Internet sensation and life coach since 2009. She pays herself \$300,000 in W-2. In the past, she contributed the maximum to her SEP, about \$55,000. Now, with her defined benefit plan, she can contribute and deduct \$110,000 annually.



5. Sports Coach

A 59-year-old professional sports coach is an employee of the team, but he has a sole proprietorship for side income – about \$150,000 year – that he earns from endorsements and speaking engagements. He doesn't need the side income to maintain his current lifestyle and would like to maximize his savings. He was able to contribute \$124,000 to a defined benefit plan, which is 4x the amount he could save in a SEP-IRA.



Source: Dedicated Defined Benefit Services, 2018 sales data

Eligibility Checklist:

Do you know business owners like this?

Here's a quick test to find out who's eligible for a Defined Benefit plan:

- Independent professionals and consultants, small business owners, and individuals with self-employment income
- Earning **\$100,000** or more annually
- 40+** years old
- Able to contribute a significant amount of earned income for **3 years** or longer
- Wants to contribute more than a 401(k) or SEP allows

If you have a client with employees or a special situation, you can email a request form for a [custom illustration](#) to DBPlans@dedicated-db.com

Instantly see how much clients can contribute and save with our [Defined Benefit Plan Calculator](#)



If you have high income self-employed or small business clients who might need a large tax deduction, let us show you how a Defined Benefit or Cash Balance plan could work.

Contact Us for **ALWAYS AVAILABLE** Consulting.

Call us Monday – Friday from 7am–5pm PT (weekends by appointment) at

866-269-2706

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