



## Retirement Plan For A Family Owned Business – Case Study

### Executive Summary

A successful musician and his wife established a Profit Sharing Plan (“Plan”) over eight years ago. Business grew and revenue increased dramatically. Their CPA tasked PlanPerfect with ideas of how to increase contributions to their Plan for themselves and expand retirement benefits to their new employees, their adult children.

### Challenges

The challenge with this type of redesign was how to maximize the musician and his wife’s retirement contributions and give some type of minimum benefit to the kids. PlanPerfect looked at two ways to accomplish these goals:

1. Create a new Defined Benefit Pension Plan (“DB”)
2. Add the adult kids into the Profit Sharing Plan

### Retirement Plan Re-Design Increased Contributions

By adding a DB, the owners were able to increase their tax-deductible contribution from \$108,000 to \$400,000 with the owners receiving over 98% of the allocation. Beyond, PlanPerfect was able to provide a minimum type benefit to their adult kids for their retirement plans.

### Retirement Plan Illustration – Family-Owned Business

**Family Owned Business  
Defined Benefit Pension and Profit Sharing Plan**

Participant	Salary	DB	PS	Total
Participant 1 (Age 57)	\$265,000	\$227,561	\$15,015.30	\$242,567.30
Participant 2 (Age 57)	\$265,000	\$124,686	\$15,015.30	\$139,701.30
Participant 3 (Age 22)	\$35,535.56	\$2,117	\$2,665.77	\$4,782.77
Participant 4 (Age 24)	\$38,774.79	\$2,468	\$2,908.11	\$5,376.11
Participant 5 (Age 26)	\$43,640.94	\$3,168	\$3,273.07	\$6,441.07
<b>Total (5 Participants)</b>	<b>\$679,959.29</b>	<b>\$360,000</b>	<b>\$38,877.55</b>	<b>\$398,868.55</b>

PlanPerfect, Inc. is a Third Party Administrator (TPA) that works with all types of industries, providing expert retirement plan design, compliance, administration and record-keeping services. Our partners (CPAs, business managers, owners and financial advisers,) work with us, we believe, because we solve problems, answer questions, and offer creative solutions that provide higher tax-savings potential through the use of Defined Benefit Pension, Profit Sharing, and Safe Harbor 401k Plans.

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