

Retirement Plan For A Small Business– Case Study

Executive Summary

With a small and growing manufacturing business, two owners, ages 46 and 48, realized they weren't contributing as much as they wanted toward their retirement efforts. The partners wanted to find a way to contribute significantly more than their Profit Sharing Plan ("PS").

Challenges

PlanPerfect immediately noticed two issues facing this company which held the partners back from maximizing their retirement contributions.

1. The current Profit Sharing Plan ("PS") formula was giving an equal percentage to all eligible employees.
2. The owners were considering adding on a Defined Benefit Pension Plan ("DB") but weren't sure if this would work given the owners' ages.

Retirement Plan Changes

We adjusted the Profit Sharing Plan to a new-comparability formula. By doing this, PlanPerfect actuarially maximized the owners' contributions and brought the employee cost down.

Second, PlanPerfect recognized that a Defined Benefit Pension Plan could be implemented despite the owners' doubts about their age. It turns out they were considerably older than their employees.

Retirement Plan Re-Design Increased Contributions

This hybrid retirement plan design—a combination of a Defined Benefit Pension and Profit Sharing Plan—substantially increased the amount allocated to the owners when compared to their original stand-alone Profit Sharing Plan. PlanPerfect increased the owners' tax-deductible contribution to their small manufacturing company and increased their allocation from 24% to over 90% so the owners could better save for their futures.

Results, Return on Investment and Future Plans

By reconfiguring the PS and adding the DB, PlanPerfect was able maximize the owners' tax deduction, increase their allocation, "superfund" their retirement coffers and manage the employee cost.

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.

View our 2016 Funding Summary for this client