
CH Capital Partners LLC

Know who you are working with

Striving to educate and consult Small Business and Middle Markets to help create jobs for our fellow Americans

Retirement Plans for Small & Middle Market
Businesses
For Key Executives

By

Sok H. Cordell
Sr. Managing Director

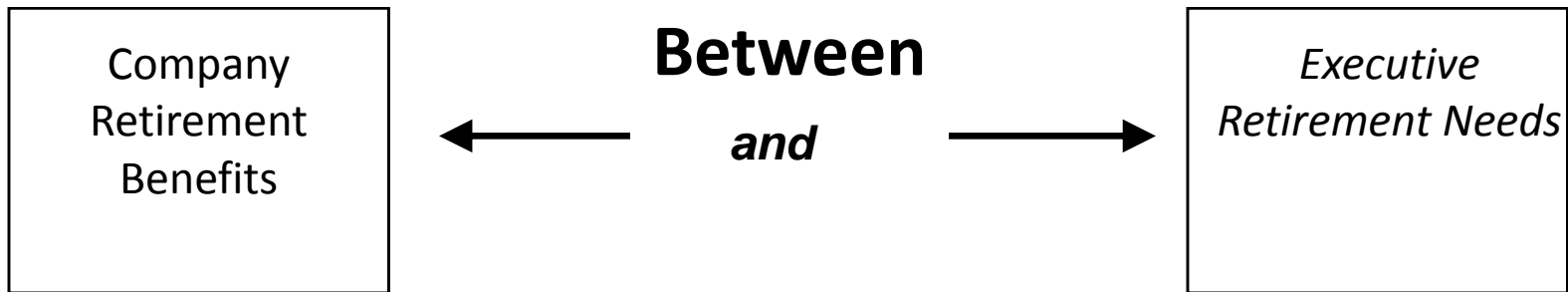


Disclosure

The purpose of this presentation is to provide you with a general overview of the benefits of using nonqualified benefit plans for your key employees.

Clients should always consult their tax and legal advisors for specific guidance concerning their own situations.

Bridging The Gap



The Need

- Provide Additional Retirement Security for a Corporation's Key Executives
- Provide These Benefits on a Selective Basis
- Design Plans Which Are Cost Effective and Which Meet the Needs of Your Key Executives and Your Business

The Problem

- Executives Need Substantial Resources to Retire
- Government Limits on Qualified Plans
- High Taxes on Current Compensation Limit Executive Retirement Savings Options

Qualified Plan Limits

- Tax Laws Limit Contributions Into Any Qualified Retirement Plan for Owners and Highly Compensated Employees
- ERISA Test
- Top Heavy Plans
- Many other regulations set forth by Department of Labor
- Government Limits on Benefits Paid Out From a Qualified Retirement Plan

Defined Contribution Plan Limits

- No More Than 25% of Compensation or \$30,000 (Whichever Is Less)
- \$30,000 Is Indexed for Inflation (but Only in \$5,000 Increments)
- Compensation Limit = \$160,000 (\$150,000 Indexed for Inflation, but Only in \$10,000 Increments)

Defined Benefit Plan Limits

- Maximum Annual Benefit = 100% of Average Compensation, or \$130,000 (Whichever Is Less)
- \$130,000 Is Indexed for Inflation (but Only in \$5,000 Increments)

The Effect of Limits

A Profit Sharing Plan example

Assume: 15% Contribution Objective

Salary	\$40,000	\$200,000	\$400,000
15% Contribution objective	6,000	30,000	60,000
Allowable contribution	6,000	24,000*	24,000*
Actual % contribution	15%	12%	6%
Contribution cutback	- 0 -	\$6,000	\$36,000

* 15% of \$160,000 annual compensation limit

The Effect of Limits A Defined Benefit Plan Example

Assume: Benefit = 40% of final salary after 20 years of service

Salary	\$40,000	\$200,000	\$400,000
40% Benefit Objective	16,000	80,000	160,000
Allowable Benefit	16,000	64,000*	64,000*
Actual Benefit %	40%	32%	16%
Contribution Cutback	- 0 -	\$16,000	\$96,000

* 40% of Annual Compensation Limit

What Can You Do?

Look Beyond Qualified Retirement Plans

ERISA Enhancement Plan

- A Nonqualified Plan
- Restores Benefits Lost to Government Cutbacks
- Avoids Complex Tax & ERISA Requirements
- Provides Additional Retirement Benefits to You and Your Key Employees

Is an ERISA Enhancement Plan Right for You and Your Company?

Is an ERISA Enhancement Plan Right for You and Your Company?

- Do You Want to Attract and Retain a Highly Qualified Management Team?
- Do You Want to Provide Yourself and Your Key Employees a Benefit Package at Least As Good as What You Offer Your Rank & File Employees?

Is an ERISA Enhancement Plan Right for You and Your Company?

- Do You Want to Do This With a Minimum of Complex IRS and ERISA Requirements?
- Do You Want the Company to Fully Recover Its Costs of Providing These Benefits?

If You Answered Yes to One or More of
the Previous Questions, You Should
Consider the Benefits of an
ERISA Enhancement Plan

Plan Design

- Determine Objectives
- Review Options
- Identify Key Employees
- Design, Implement, And Communicate
- Review Plans Periodically

Plan Design Questionnaire

Company Name: _____ Date _____

Tax Information

- ⇒ Sole Proprietor
- ⇒ Partnership, LLP, LLC, Or “S” Corporation
- ⇒ Regular Or “C” Corporation (Please Estimate Corporate Tax Bracket _____ %).
Personal Tax Bracket For Illustration Purposes _____%

Existing Benefit Plans (Please Briefly Describe Plans)

- ⇒ Health Insurance
- ⇒ Group Term Life
- ⇒ Disability Benefits
- ⇒ Pension Plans
- ⇒ Long Term Care Insurance
- ⇒ Stock And Option Plans
- ⇒ Nonqualified Benefit Plans

Advisors

Accountant's Name _____ Phone Number _____

Attorney's Name _____ Phone Number _____

Plan Design Questionnaire

Name Or Initials	Age	Sex	Smoker (Yes or No)	Annual Bonus	Plan Design Option	Desired Death Benefit	Annual Employer Premium	Annual Employee Premium

Plan Design Option

- A = Bonus Plan
- B = Split Dollar
- C = Deferred Compensation
(For "Top Hat" Employees Only)
- D = Long Term Care

Plan Design Factors

- ← **Employer Control**
 - Bonus Plan (Less Control)
 - Split Dollar (More Control)
 - Deferred Compensation (Most Control)
- ← **Employer Income Tax Deductions**
 - Bonus Plan (Currently Deductible)
 - Split Dollar (Non-Deductible)
 - Deferred Compensation (Deduction Postponed Until Payment)