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WHY YOU SHOULD SET UP AN OWNER-ONLY DEFINED BENEFIT PLAN

If you are self-employed or a small business owner, a Defined Benefit Plan could be beneficial to help contribute larger amounts to your retirement plan compared to other retirement vehicles. While a Defined Benefit Plan might not be right for all people focusing on retirement, we have listed six distinct reasons that you should consider starting a Defined Benefit Plan today. Those reasons are as follows:

- **Defined Benefit Plans Allow for Large Tax-Deductible Contributions**
  Someone who is self-employed may contribute $100,000 to $250,000+ per year in a Defined Benefit plan. Small business owners may be able to adjust contribution amounts each year depending on their situation. If the contribution falls within the contribution range, it is permitted. Small business owners make larger Defined Benefit contributions to help decrease their taxable income.
- **You Can Add a 401(k) Plan for Additional Tax Savings**
  You can pair a Defined Benefit Plan with a 401(k) Plan to help further increase deductible contributions. By adding a 401(k) Plan, you may be able to add additional contributions through 401(k) deferrals (pretax or Roth), 6% of compensation employer contributions and voluntary after-tax contributions.
- **Add a Spouse to Increase Deductions**
  Contributions may be increased if the small business owner's spouse is an employee. For an owner and spousal employee who are near retirement, total Defined Benefit and 401(k) contributions could be as high as $800,000 if the contributions are "front-loaded".
- **Defined Benefit Plans aren't Subject to 25% of Compensation Limit**
  Unlike 401(k) Plans, employer contributions in a Defined Benefit Plan are not limited to 25% of compensation. Since this limit does not apply, a much higher contribution is possible depending on the level of compensation.
- **Make up for Lost Time**
  Defined Benefit Plans allow for extremely large contributions, especially when the owner is near retirement. Defined Benefit Plans allow for a small business owner to quickly make up for lost time. Other retirement vehicles, such as a 401(k) Plan only allow a contribution of $66,000 with a "catch-up" contribution of $7,500.
- **Loan Options for Self Employed Defined Benefit Plans**
  For small business owners, having cash available is crucial. Having access to this money could be the difference between your company failing and succeeding. Defined Benefit Plans, like 401(k) Plans, can permit for loans. While a loan provision in a Defined Benefit has its drawbacks, providing the option could help in the right circumstances.

In conclusion: Is a Defined Benefit Plan right for you? Well, if you are self-employed, are at least 35 years old, and would like to save more than $66,000 per year for the next 3 to 5 years, then you should strongly consider a Defined Benefit Plan. We will run a free proposal so you can see how much you can put into a defined benefit plan. Click here to get our proposal request form. Complete and return to me at drath@nhhicks.com.