



Increasing the tax deferral over the 401(k) plan limits is easily accomplished by adding a second plan. A Defined Benefit plan is a form of retirement plan that allows for a larger deduction by utilizing an actuarial calculation of guaranteeing a monthly benefit starting at a defined retirement date. The chart to the left shows the combined deduction availability while utilizing a 401(k) and Defined Benefit plan. With the addition of the Defined Benefit plan, the company contribution to the 401(k) plan is limited to 6% of compensation. In this case, the client quantified the amount they would like to deduct, and we were able to design a plan to accommodate this. Over a five-year window assuming the contributions do not increase and the client does not take advantage of the contribution range in the Defined Benefit plan, he may anticipate accumulating a total of \$758,000. Then, factoring a 5% return the total accumulation is \$879,905.

**Owner Only  
2020 401(k) & Defined Benefit Plan Study**

Participant	Age	Compensation	401(k) Deferral	Profit Sharing	Defined Contribution	Defined Benefit	Total
					<u>Defined Contribution Total</u>	<u>Defined Benefit Contribution</u>	
Owner	39	\$285,000	\$19,500	\$17,100	\$36,600	\$115,000	\$151,600

This illustration is contingent upon several factors. Some of the factors are the demographic, financial and business ownership information provided to us. Should any of these factors change in any year, a plan adopted based on this illustration may require modification to an appropriate plan design.

