



Plan Ahead and Profit Ahead

Put Employer-Sponsored Retirement Plans
in Your Production with Our Start-to-Finish Help

BY WARNER OFF, JD

When it comes to planning for a financially secure retirement, for many small business owners, there is no one-size-fits-all solution. Plan options and administrative requirements can seem overwhelming—or many times the business owners don't believe they have the financial resources, time or personnel to maintain a plan.

Together with our producer partners, the Lafayette Life Retirement Services team can help your clients navigate the uncertainty to ensure they have the best retirement plan possible. Our team of experts has more than a half-century of retirement planning expertise. We are ready to put that experience to work by helping our partners identify the retirement planning solution that is right for their clients.

Why Consider an Employer-Sponsored Plan?

There are many reasons why a business owner would establish an employer-sponsored retirement plan—also known as a *qualified retirement plan*.



Tax Savings. The primary reason is to save on taxes. Contributions made to the plan are generally **tax deductible**, and the investment earnings on the contributions are **tax deferred**—making good business sense. When life insurance is an asset within the qualified retirement plan, the premiums paid may be tax deductible too.



Save for Retirement. In addition to tax savings, having a qualified retirement plan helps business owners and their employees save for retirement. Contributions in a cash balance plan, for example, allow older owners to **squeeze 20 years of savings into 10**, which is appealing to business owners who haven't yet started saving for retirement.



Bankruptcy Protection. Finally, a well-thought-out qualified retirement plan is **protected from creditors** upon bankruptcy because the plan's assets are for the sole benefit of the plan participants and not considered a company asset.

Types of Plans

The Retirement Services team offers two types of qualified retirement plans that give small business owners many possibilities based on their goals:

Defined Benefit Plans. These plans pay a specified benefit to the employee that is guaranteed at retirement. The employer makes annual contributions to the defined benefit plan to reach a funding target.

Every employer-sponsored plan from Lafayette Life Retirement Services is backed by our **convenient one-stop service** for retirement plan designs, funding options, document services, distribution planning and administration.



Attract and Retain Employees. With only a small percentage of small businesses offering a retirement plan, this can also be a **key differentiator** that helps the business attract and retain quality employees, which is especially important in the current hiring environment. Increasingly, current and future employees are shouldering more of the responsibility for their own retirement savings, so offering them a solid solution to help achieve their retirement goals would be well received.



Access to Life Insurance. In situations where owners and participants are interested in life insurance, Lafayette Life's whole life can be part of a retirement plan. In the right situation, this can be beneficial and provide wider access to life insurance to plan participants. Using a retirement plan to purchase life insurance **can make insurance more affordable** because it's purchased by the plan with pre-tax dollars. Additionally, in certain situations, guaranteed issue products can provide solutions to otherwise uninsurable individuals.

This category includes cash balance plans, 412(e)(3) plans, and traditional defined benefit plans.

Defined Contribution Plans. These plans allow contributions from employees, and the benefit they receive at retirement will be based on discretionary contributions made by the employee, the business or both, plus interest earned through the years. This category includes 401(k) and profit sharing plans.

Combination Plans

One of the most effective ways to use these plans is to combine a **cash balance** plan (defined benefit) with a **401(k)/profit sharing** plan (defined contribution). In the right circumstances, this **combo plan** can allow for large benefits to the owners and smaller benefits to the employees. This allows for the creation of an efficient owner-focused retirement vehicle. Retirement plans are subject to IRS non-discrimination testing to ensure that the plan remains IRS compliant. Plus, it ensures that too much benefit doesn't go only to the owners and highly compensated employees.

Cash Balance/401(k) Combo Plan in Action



Sample Contribution

Employee, Age, Salary	Safe Harbor 401(k) Profit Sharing	Cash Balance Account
Owner, 55, \$345,000	\$30,500 max deferral with catch-up	\$249,118
Spouse of Owner, 52, \$55,000	\$30,500 max deferral with catch-up	\$65,000
Employee A, 33, \$26,000	Safe harbor \$780 plus \$1,170 profit sharing	\$850
Employee B, 24, \$26,000	Safe harbor \$780 plus \$1,170 profit sharing	\$652

Example shown is hypothetical in nature and used for illustrative purposes only. Values as of 1/1/2024.

However, a combo plan can combine both the cash balance plan and 401(k)/profit sharing plan for non-discrimination testing purposes, which can make it much easier to give a **big benefit to owners** and still pass testing.

In the example above, we can see exactly how beneficial a combo plan can be. In our sample case, we have a small company with an owner, a spouse, and two younger employees. As you can see, by combining the cash balance with the 401(k)/profit sharing plan, we are able to get huge contributions on behalf of the owner and spouse, with very little contributions needed on behalf of the employees (though contributions to employees could always be increased as desired).

All these can be custom designed to help give clients the largest allowable share of total contribution, as well as tax deductions for their business.


Fulfilling All Customer Service Needs

Every employer-sponsored plan from the Lafayette Life Retirement Services team is backed by our convenient one-stop service for retirement plan designs, funding options, document services, distribution planning and administration from credentialed associates who are members of the American Society of Pension Professionals & Actuaries and the National Institute of Pension Administrators.

This means you have our help from start to finish. From the beginning, we provide consultative services to help you understand the types of plans available. We provide various options to fund retirement plans, including both contribution amounts and investment options. Once the plan is in place, our team takes care of the day-to-day administration.

Helping your clients' retirement planning needs, especially in the qualified market space, can be daunting and extremely complicated. Let our team help structure a retirement program that meets your clients' needs, whether it is reducing their taxes, saving for retirement or distinguishing their business to ensure they attract and retain the best talent possible.

Step 1: Connect with Us

Ready to work together? So are we. Put expertise and experience to work for you and your clients. Connect with our Retirement Services group at proposal-request@llic.com or 800.555.6048. 

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