

# Applying the 412(i) Solution



Contributed by  
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- Assume Responsibility
- Overcome the Conventional
- Write Larger Cases

Highly profitable small-business owners have never had such an opportunity to use the tax law to create and transfer wealth or plan for their retirement. For those who qualify, the rewards given by this new tax law are thought provoking. It is by far the ultimate solution to using tax dollars (that is the same money they would, otherwise, pay to the government) to significantly enhance their net worth.

As trusted financial planners, we have the full responsibility to help these qualified clients build up for the retirement of their dreams, for the lifestyle of their choice or for their children's education, just to name a few, rather than paying taxes.

The question is, why should you compromise for less when you can have more? The answer is, The i Solution.

It is not about how much your clients make. It is about how much they keep. And, what you don't share with clients could cost them a fortune.

## Applying Leverage

Conventional retirement benefit and defined contribution plans such as 401(k) and profit sharing programs provide very little leverage and limited contributions for owners. Lack of

employee contributions in 401(k) plans has further curtailed the ability for owner-employees to make significant contributions due to top heavy and discriminatory compliance law.

The defined benefit 412(i) plans create level funding, allowing for certainty in tax planning, eliminating any issues involving top-heavy or discriminatory problems. Additionally, upon plan implementation, each



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employer will receive an IRS Letter of Determination, thus satisfying any concern that the client's CPA or attorney may have.

Up until January 2000, if the business owner had an existing plan, the rules limited his or her ability to add a new benefit plan (the 1.0 and 1.4 rules of 415(e)). However, as of Jan. 1, 2000, it is now possible for business owners with existing profit sharing or 401(k) plans to add or upgrade to a defined benefit 412(i) program increasing retirement benefits significantly, while using the old plan as a foundation.

## Greater Contributions

Take the following example: The business owners are age 55. They do not have time to accumulate significant benefits if they are limited to only \$41,000 each per year under a defined contribution plan. Alternatively, the defined benefit 412(i) allows far greater pretax contributions to provide a substantial guaranteed retirement benefit at age 65.

Section 412(i) can be used to reduce or eliminate overfunding in old defined benefit plans, removing the necessity

their contracts. There is no limit for annual contributions, as long as it satisfies the maximum defined benefits desired by the client that are allowed by 412(i) law.

In a nutshell, discuss these benefits with your business-owner clients:

- To be able to make sizable deductible contributions from the business.
- To eliminate current personal taxes.
- To minimize employee costs.
- To be able to continue to fund the plan into the future without being faced with stringent limits.
- To minimize or eliminate risk.
- To have a plan that is IRS approved in advance and not based on uncertain interpretations of the tax code.
- To provide asset protection.
- To provide for estate planning needs on a pre-tax basis.
- To be able to continue deferral of benefits even after retirement for tax planning purposes.

Provide your business clients with this information and you will write substantial new business; and that business will be in amounts far greater than you haven written previously.

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*As a financial planner, he has helped hundreds of clients with comprehensive financial, tax and estate planning using insurance and security products. He has recently been involved in educating profitable self employed entrepreneurs and small business owners use the new 412(i) tax law in order to help business owners keep the lion's share of their companies' profits to create considerable retirement income while protecting their assets, accumulating wealth and/or transferring their estates.*

for distribution with enormous tax consequences or other methods that deplete the assets of the plan.

Substantial tax deductions are only a part of benefits to business owners. The plan provides guaranteed retirement benefits and/or guaranteed wealth accumulation with full or partial rollover opportunities or the ability to transfer assets to the insured's next generation — all with pretax dollars that afford minimal or no risk of asset devaluation (of particular importance to older owners nearing retirement).

And, if that is not enough benefit for your client, the plan also provides for full asset protection; a substantial owner benefit to professional clients.

Unlike traditional retirement programs, there is no marker risk, as all benefits are fully guaranteed by major insurance companies under terms of

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