



Employer Connect | Defined Benefit Plans Are Alive and Well

MAKING IT ACTIONABLE

For the most part, the news about Defined Benefit (DB) plans lately has not been particularly good. Whether a big company could no longer fund its plan or how it was bankrupting their business, headlines have discouraged many businesses from seriously considering a DB plan.

But we believe it's time to take another look. For smaller, more mature companies, a DB plan can be a great vehicle to help you and your employees prepare for retirement.

With a Defined Contribution Plan

Your employees make many of the contributions and take on the investment risk. Their retirement benefit is their accumulated balance.

With a Defined Benefit Plan

You, as plan sponsor, make the contributions and assume the risk. Your employees receive a promised benefit at retirement, typically in the form of monthly income.

A DB plan isn't for everyone, but you may find this type of plan helps you meet your tax and savings goals. For example, if you've been focused on building your company and have pushed off saving for retirement, a DB plan can be an effective tool to help you make up for lost time with substantial contributions. It may even help you retire early, if that's something you're considering.

ACTIONS TO TAKE NOW

Consider these questions, which can help determine if a Defined Benefit plan might be a good fit for your business:

1

Has your business matured, or is it more focused on growth?

Businesses with steady cash flow will have the ability to make required annual contributions well beyond the \$60,000 a 401(k) with a Profit Sharing plan allows.



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2

Can your business support higher contributions?

A DB plan might be a good fit. However, if you're still using excess profits to fuel growth, you may want to evaluate other retirement plan options to meet your savings and tax goals.

3

Are you, other owners, or key employees nearing retirement age?

Defined Benefit plans allow you to contribute additional dollars to older individuals, making it possible to help owners who spent years building their enterprise quickly make up for lost time saving for their retirement.

Remember, only businesses that have predictable earnings and long-term viability should consider a Defined Benefit plan because there are consequences if required contributions are missed.

If a Defined Benefit plan sounds like it might solve some of your retirement and tax planning issues, let's talk and determine if it's a good fit for you and your business.