

# Small Business Retirement Planning

From  
American  
National  
Insurance  
Company

New Dimensions In Pensions



# The Ultimate Financial Goal...

## If You Are

A small business owner seeking a retirement funding opportunity, or evaluating your existing retirement plan, you are probably seeking the **ultimate financial goal**:

## ... To Accumulate, Preserve, and Transfer Wealth.

You've worked hard to achieve your successful financial standing. Now you are ready to reap the rewards of that financial success with a prudent, carefully planned strategy to help you achieve your financial goal.

But just how do you do that, and is there a way to combine achieving your financial goals with reducing your current taxes?



# The Challenge ...

The challenge for you, as a small business owner, is to determine what is the most beneficial way to build your assets, both from an accumulation and a tax-savings viewpoint, so that they will be available to help you achieve your retirement goals.

A pension plan designed specifically for your business may be the solution.

## ... And The Choices

American National offers a variety of plans to structure a retirement program to fit your needs, including:

- 412 (e)(3) Defined Benefit Plans
- Traditional Defined Benefit Plans
- New Comparability Profit Sharing Plans
- 401(k) Plans (including Safe Harbor plans)

## And More ...

Once you have chosen the type of plan, you can choose the plan features that meet your specific requirements. These features include, but are not limited to:

- Eligibility Requirements
- Vesting Schedules
- Loan Provisions

Innovative designs can be structured for either a new retirement program or a takeover of an existing plan. To complement this plan design package, American National offers a full administrative package as well as customer focused service, technology support, and a wide range of funding options.

Let's take a closer look at some possible plan options.

# Qualified Retirement Plan Options

## 412 (e)(3) Defined Benefit Plan

This plan design allows the largest possible deductions for the business owner, and it liberates owners from the contribution limitations of 401(k) and profit sharing plans.

A good candidate for this plan design is an older independent contractor with few employees (or none) who is earning a very high income. There is little flexibility in the contribution level each year. All benefits must be guaranteed by an insurance company so all assets must be invested in insurance company contracts. The benefits provided are dependent upon minimum premium requirements and the claims paying ability of the issuer.

### Maximum First Year Deductions Available At Selected Ages:

	Annuity Only	Maximum Life Insurance and Annuity
Age 40	\$103,034	\$114,783
Age 45	\$136,807	\$159,295
Age 50	\$198,810	\$243,630
Age 55	\$244,659	\$322,032

*Note: The contributions above are based upon maximums for 2013, based on the guaranteed annuity purchase rates, the guaranteed insurance cash values, and the guaranteed annuity accumulation rates of American National Insurance Company 412(e)(3) qualified life insurance and annuity products. The numbers also assume the business owner at the selected ages has earnings of at least \$205,000 and the normal retirement age is 62.*

# New Comparability Profit Sharing Plans

These plans allow for the largest possible share of the company's contribution to be allocated to the owner and/or key employees. There is flexibility in the contribution level since it is a profit sharing plan and the contribution each year is discretionary.

The plan works best when the business owner is older than most of the other employees. Below is a comparison illustrating the power of a New Comparability Plan. Note the increase in the owner's allocation of 67% with no increase in the contribution from the business.



	Age	Salary	Traditional Profit Sharing Allocation	% of Salary	New Comparability Profit Sharing Allocation	% of Salary
Owner	60	\$ 204,000	\$ 30,600	15%	\$ 51,000	25%
Employee	33	50,000	7,500	15%	2,500	5%
Employee	34	48,000	7,200	15%	2,400	5%
Employee	54	39,000	5,850	15%	1,950	5%
Employee	42	38,000	5,700	15%	1,900	5%
Employee	43	29,000	4,350	15%	1,450	5%
		\$ 408,000	\$ 61,200		\$ 61,200	
Owner's Share			(50%)		(83%)	

Note: In the above example for calendar year 2013, the owner will receive \$20,400 more into his account without any increase in the contribution from the business. The plan is not considered discriminatory by the IRS even though the owner receives a much larger share of the profit sharing contribution. The increase in the owner's allocation of 67% with no increase in the contribution from the business.

# Safe Harbor 401(k) Plans

If you are a small business owner interested in a 401(k) plan, you need to consider the advantages of a safe harbor 401(k) plan.

These plans allow the key employees to contribute up to the maximum dollar limit of \$17,500 for 2013 as their 401(k) elective deferral without regard to what the other employees contribute. The maximum deferral for 2013 is \$23,000 if a participant is age 50 or over.

In a traditional plan, the highly compensated employee's contribution may be limited and is dependent upon what all other employees contribute as elective deferrals to the plan. One method of meeting the safe harbor rules is to make a 3% fully vested contribution for all employees. The end result can be a very appealing plan.

	Age	Salary	3% Vested Employer Contribution	401 (k) Employee Elective Deferral	Total Allocation
Owner	60	\$ 120,000	\$ 3,600	\$ 23,000	\$ 26,600
Employee	33	33,000	990	0	990
Employee	34	31,000	930	0	930
Employee	54	29,000	870	0	870
Employee	42	23,000	690	0	690
		\$ 236,000	\$ 7,080	\$ 23,000	\$ 30,080

# An Opportunity

There are many variations of these plan designs, but the examples should give you an idea of the retirement planning opportunities available to you as a small business owner or professional. By taking advantage of tax law changes and innovative ideas based on your particular situation, you may be able to convert current taxes to assets, defer tax payments, and generate the retirement income you desire.



If you do not have a retirement plan, or even if you do have an existing plan, you need to review the new plans created by recent tax

law changes available for small business owners. Retirement plans are more flexible and appealing than ever before, and there are numerous plan designs to choose from.

Retirement plans today may allow you, as the small business owner, to receive 60%, 70%, or even more of the deductible business contribution. In such cases, it could be costing you money not having a plan!

But how do you know which type of plan to choose? Allow us to give you a free look at the innovative retirement plans available today. You have retirement goals—let us help you achieve them.

## Beginning The Process

Working with your CPA and financial advisors, we offer a complete process to assess your individual situation and determine your long-term goals and objectives. All you have to do is fill out a simple census form. From this initial discovery phase, we help determine which type of retirement plans may best meet your goals and objectives. Once the plan type is chosen, we can also recommend the best way to implement and administer the plan to meet your retirement needs. From the case design to product fulfillment to annual administration ... we can handle the complete package.

Each individual has a unique set of needs and considerations. We take into account such issues as estate planning, current income, family business succession, and transfer of wealth to the next generation. Together with your CPA and financial advisors, we can customize a retirement program to maximize the tax advantages available to you as a small business owner.

There is no fee for this discovery and design process, but there could be a cost—the cost of continuing to pay taxes that could work for you and your small business in achieving your financial goals.

# The Next Step

The next important decision will be how to fund the retirement program. At American National, we have funding vehicles to fit any plan situation. A review of our available options will determine those best suited to your retirement profile.

Careful consideration of the options available, together with the advice provided by your financial advisors, should allow you to make the right choice for your retirement program.

# A Plan Partnership

With over 30 years of experience in administering pension plans, not only will we work in partnership with you and your advisor to help design the best retirement plan to meet your financial goals, we can also help you maintain it. We offer a comprehensive package of plan design,

documentation, installation, and annual administration for a very moderate fee. This complete package gives you the peace of mind that your plan will be maintained in compliance with all government regulations, leaving you to do what you do best—running your business.

# Only You Can Decide

You rely on the advice of your financial advisors to help make those decisions that can affect the success of your business and ultimately your financial goals. We can assist with the plan design and administration of the retirement plan that best meets your future financial goals. Our state-of-the-art technology, providing daily valuations and Internet access on 401(k) plans, completes the retirement plan package.

The next step is yours. All you need to do is complete a confidential census and return it to American National with your plan goals. Your goal may be to create a new deduction for your business, increase your current deduction, or examine new innovative methods of allocating your business retirement plan contribution. The important thing is to take that next step.



# The American National Story

Chartered on March 17, 1905 by the company's founder, W. L. Moody Jr., American National began operations with \$100,000 of capital and \$20,000 surplus. Following a conservative investment philosophy, Mr. Moody believed that the company's profits should finance future growth, so American National did not pay dividends to investors in those early years. Mr. Moody envisioned a company that would flourish for centuries. His conservative business approach created a unique corporate culture that remains the heart of the Company today. This culture has helped American National persevere through wars, hurricanes, economic volatility, extraordinary technological advancements, evolving products, and the changing needs of policyholders and agents. American National remains financially strong and will continue to manage its business respecting the conservative principles of its founder, driven by its corporate vision to be a leading provider of financial services for current and future generations.



In defined contribution plans, the amount of funds accumulated and the investment gains or losses solely determine the benefit at retirement.

Distributions made to a Participant before age 59½ may be subject to a 10% premature distribution penalty.

Qualified Plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules.

Form Series: PWLU-CSO, DAGA99, GUVAURO3 (Forms May Vary by State)



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