



412(e)(3) Plan

Consistent. Reliable. Secure.

Stock market inconsistency and global economic uncertainty have created the need for guaranteed investments. People not only want to choose their retirement lifestyle, they want to make sure they can realize it. That's how the 412(e)(3) Plan can help. It is a plan guaranteed to provide a predictable revenue stream, so you can enjoy the lifestyle you desire.

The 412(e)(3) Plan



The 412(e)(3) Plan is a defined benefit retirement pension plan guaranteed with insurance company life and annuity contracts. Introduced in 1974, it is also referred to as a "Fully Insured Defined Benefit Plan". Unlike traditional defined benefit plans, the 412(e)(3) Plan invests exclusively in permanent life insurance and/or annuity contracts with guaranteed rates of return.

Who is the Plan For?

Any employer can adopt the 412(e)(3) Plan, including: Sole proprietors, C Corporations, S Corporations, Partnerships, Limited Liability Companies, and Family Limited Partnerships. It is best suited for the owner of a small business or professional enterprise looking to maximize current tax deductions and secure a large amount of retirement funds. The 412(e)(3) Plan is an excellent option for single employee businesses, maximizing tax-deductible contributions and minimizing W2 income.



Plan Advantages

The 412(e)(3) Plan takes the risk out of retirement

investing. Funds are guaranteed by insurance company contracts, avoiding the ups and downs of the stock market. The Plan can never suffer any losses or be under-funded. It provides the largest tax deductions of any qualified retirement plan – you can invest more and accumulate more for retirement. 412(e)(3) permits employers to “fast fund” a retirement program for an older employee without increasing costs for younger employees.

Plans must be funded each year, but you can design the 412(e)(3) Plan with a contribution rate at the level you are comfortable with. Contributions to the Plan may be as much as 3 times that of a traditional defined benefit plan and 6 times more than a defined contribution plan.

The 412(e)(3) Plan provides maximum flexibility for exit strategies, including roll over into an IRA, lump sum distributions and guaranteed monthly income, while providing maximum security for retirement. The Plan is protected from creditor claims and can be amended or terminated to accommodate changing family or business needs.

Tax Issues

Employer contributions to the 412(e)(3) Plan are tax deductible, employee benefits are tax deferred and all accumulations grow tax-free. If a company already has a 401(k) plan in place, it can retain the employee contributions to that plan and still adopt the 412(e)(3) Plan. The participant may elect to continue the permanent life insurance benefit after retirement. With proper planning, death benefits may not be subject to estate tax.

The above represents CJA's opinion regarding the 412(e)(3) Plan and is not intended as legal or tax advice regarding the treatment of any particular employer's contributions to its plan or the treatment of benefits provided to the employees of any particular employer. A taxpayer should consult its independent tax or legal advisor before adopting its own 412(e)(3) Plan.

The 412(e)(3) Plan, from CJA.

CJA is a national insurance marketing company serving the small business retirement market.

CJA offers a variety of products to fund 412(e) (3) Plans, including annuity contracts and whole life insurance. With over thirty years of experience, CJA has a heritage of proven plan design, plan administration and plan marketing

CJA

A Higher Bracket