

Innovative Retirement Plans for Small Businesses

412(e)(3) Defined Benefit Pension Plans Contribution Charts: Retirement age 62

The following assumptions were used to calculate the contribution for a corporate business owner:

- Compensation \$260,000 | Date of Hire 1/1/00
Date of Participation 1/1/14.
- Normal retirement age (NRA) of 62; 5 years participation.
- Life insurance based on Revenue Ruling 74-307.
Death benefit assumes standard issue, non-smoker.
- Insurance company guaranteed annuity conversion rate. Product illustrated is the Patriot 100.
- Guaranteed cash values and annuity values under The Lafayette Life Insurance Company contract, assume level, annual premiums have been paid.

Funded with an Annuity			
Starting Plan at age:	Monthly Retirement Benefit	Lump Sum at Retirement	Contribution (takes GATT into account)
40	\$17,500	\$2,613,190	\$83,083
45	\$17,500	\$2,613,190	\$116,585
50	\$17,500	\$2,613,190	\$178,768
55	\$12,250	\$1,829,233	\$231,773

Funded with Life Insurance and Annuity						
Starting Plan at age:	Monthly Retirement Benefit	Lump Sum at Retirement	Death Benefit	Contribution (takes GATT into account)		
				Annuity	Life	Total
40	\$17,500	\$2,613,190	\$2,553,492	\$53,344	\$55,732	\$109,076
45	\$17,500	\$2,613,190	\$2,880,067	\$74,788	\$78,205	\$152,933
50	\$17,500	\$2,613,190	\$3,680,596	\$118,255	\$119,917	\$238,172
55	\$12,250	\$1,829,233	\$3,892,636	\$160,864	\$155,473	\$316,337

Factors that Impact the Contribution

Whole Life Insurance: The following whole life insurance products can be used: Sentinel, Patriot 100, Contender 100 and Heritage. A policy illustration should be prepared to review the impact on the annual contribution when the dividend reduces premium.

Guaranteed Interest Rate: The charts above illustrate a contract guarantee of 3%. The excess interest, if any, will decrease the future out-of-pocket contributions.

GATT: GATT prescribed new mortality and interest rate assumptions. This affects the maximum amount of benefits that can be paid as a lump sum benefit or fixed-term installment payment. The contribution calculations take into account GATT.

Annuity Purchase Rate: The annuity purchase rate is the factor that determines the amount of money required at retirement to pay the monthly benefit.

The charts are for illustration purposes only and are not to be used for funding. Actual contributions and benefits will be calculated based upon individual census data.

The Lafayette Life Insurance Company, Cincinnati, Ohio, provides services to pension plans as outlined in a separate Administrative Services Agreement, and issues life insurance and annuity products that may be used as funding options. This material is for informational purposes only. Lafayette Life does not serve as plan administrator, nor does Lafayette Life or its representatives provide ERISA, legal or tax advice. Your personal or legal tax advisors should always be consulted and relied upon for advice. The Lafayette Life Insurance Company operates in D.C. and all states except AK and NY.



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