

# SAMPLE QUALIFYING QUESTIONS FOR RETIREMENT PLAN OPPORTUNITIES

## Business Owner Focused

### What are you currently doing to reduce taxes for yourself and your business?

- Personal deferrals the business owner makes reduces their taxable income, and any employer contributions or plan expenses are deductible for the business.

### What is your exit strategy and what steps have you taken to prepare?

- Retirement plans can be a cost-effective and tax-efficient way to transfer a significant amount of assets from the business into the owner's personal retirement account.

### When is the last time you reviewed your plan's design to ensure it still makes sense for you and your business?

- Optimal plan design should net a positive outcome for the business owner. Retirement plans are not just a tool to recruit and retain employees, they are a valuable financial planning tool for the owner as well.

### Other cues to look for:

- Make too much for a Roth? Can defer up to \$18k with \$6k catchup in Roth via 401(k)s.
- Variable cash flow? The owner can borrow up to 50% (\$50k max) of their account value for a rainy day. They pay themselves back with interest.
- High liability profession? ERISA protected vehicles are sheltered from creditors and bankruptcy.
- Current plan is too costly and administrative burden? They may be aligned with the wrong service providers (inefficient plan design, inadequate support, overpriced, etc.).

### Who's a good fit for what?

- 401(k)s: Business owner or HCEs who want to contribute more than a SIMPLE will allow but have non-family member employees.
- Defined Benefit/Cash Balance: Will enable a business owner to defer significantly more than a 401(k) with Profit Sharing alone will allow. A great succession planning tool. Can count other income than W2. Company should make at least a 3-5 year commitment to the plan. Best for companies with around 30 employees or less. Also known as a "golden parachute".
- ESOPs: Great way for the owner to get liquidity from the business and to allow employees to have a personal interest in the company's success. Best for companies with at least \$3M in annual revenue and more than 30 employees. Owner gives up shares of ownership to employees.
- Non-Qualified: Not business owner focused, rather a tool for retaining valuable executive talent. Also known as "golden handcuffs".



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