

Single Employer Welfare Benefit Plans

Problem:

A business owner is concerned that the rising costs of health care will diminish retirement income for themselves and other long-term employees. The owner wants to save funds, with tax-favored dollars, for post-retirement benefits such as: long term care, life insurance, and medical expenses.

Prospect:

- Business that generates reoccurring cash flow and desiring a current tax deduction.
- Any business entity: C Corporation, S Corporation, Partnership, LLC, Professional Practice.
- Employers who want to provide a “golden handcuffs” to help retain key employees.
- Employers willing to comply with ERISA nondiscrimination participation requirements.
- Employers with income and age disparity between key employees and rank and file will have larger percentage of the contribution going to the key employee. Employers with higher turnover with rank and file employees will provide a larger percentage of the contribution to the key employee.

Solution:

A Single Employer Welfare Benefit Plan can be structured to permit the employer to set aside funds over the working lives of covered employees. Within the prescribed statutory limits the contribution is currently tax-deductible to the business. Benefits received by the plan participants and beneficiaries are generally granted tax-favored treatment.

Additional Advantages Of Establishing A Single Employer Welfare Plan:

- **Contribution Flexibility.** No required minimum contributions. A business may skip a contribution in one year and make a significant contribution during peak profit years.
- **Golden Handcuffs.** No legislatively prescribed vesting schedule. The business owner establishes the entitlement date that must apply equally to all employees, but there is no benefit for employees who prematurely terminate employment.
- **Plan Benefits & Funding.** Benefits favor older married employees with higher incomes. For legal and tax reasons benefits are frequently funded with any combination of life insurance and annuity product.
- **Creditor Protection.** Plan funds are in trust for the exclusive benefit of the employees. Therefore, the funds are beyond the reach of business creditors.

Call our Advanced Marketing team to find out how your business clients can save for retirement expenses with tax-favored dollars.

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