



# ACI Advisors Corner

**Want to be a hero? Show your clients how to save big money.**

By Tobi Cogswell  
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This is the perfect moment to make your clients' lives better by enhancing the growing power of their retirement plans. And, ACI will help you do it.

But we both have the IRS to thank for bringing us this opportunity.

Let me tell you why.

The IRS has just ruled that all Defined Benefit plans must be amended and restated between now and 2012. Your clients need to be looking at their plans and they don't have a long time to do it.

The Pension Protection Act of 2006 had a provision changing deduction limits on Defined Benefit/Defined Contribution plan combinations so that a plan sponsor could have a DB plan with a DC plan of up to 6% of compensation and deduct both. (This provision only applies to those Defined Benefit plans not subject to the Pension Benefits Guarantee Corporation (PBGC). Plans subject to PBGC, i.e. professional corporations, can have unlimited profit sharing contributions up to the maximum allowable).

The Defined Contribution plan could have 401(k) provisions, allowing the participants to defer an additional \$16,500 in 401(k) contributions. All of it is deductible (the DB contribution, PS contribution and \$16,500 or \$22,000 **pre-tax** individual 401(k) deferral).

All well and good, but we have had a couple of downturn years in the economy and this might have been a struggle for some plan sponsors. Now our economy is coming back.

**So this is what you do:**

1) Tell your clients with stand-alone cash balance or traditional DB plans to implement profit sharing/401(k) plans

- They get their DB deduction
- They get a deduction for a profit sharing contribution. Profit sharing contributions remain discretionary giving the plan sponsor the most flexibility.
- They get a tax savings on an individual basis for salary deferrals of up to \$16,500 in 2010 (or \$22,000 for those individuals age 50 and over). This amount is indexed and will go up in the future.

- 2) If you're uncomfortable telling them, call us and we'll tell them on your behalf.
- 3) Contact us at these phone numbers so we can get these clients going.
  - Jay Luber – (310) 212-2607 for consulting and design on prospect, new client and current client issues.
  - Jeff Esmond – (808) 389-5979 for all business in Hawaii.

**What you get out of it:**

Defined Benefit plans traditionally have pooled investments. Profit sharing/401(k) plans will give you the opportunity to showcase your expertise. Help the plan sponsors choose funds particular to the demographics of their companies for participant-directed investments. It is one more opportunity for you to cement the title of “Trusted Advisor” with your clients while also getting a return for your consulting expertise.

**Our commitment to you:**

We want your clients to have a dignified retirement. We want them to have the experience of working with ACI. If we take over, or already administer, your clients' standalone DB plans, we will prepare profit sharing/401(k) documents for \$1,800 instead of our normal fee of \$2,500, saving your plan sponsors an additional \$700 on top of their tax savings.

The cost for amending and restating the DB document has not yet been determined but we expect it to be in the range of \$2,500-\$3,000.

*This is the perfect time and the perfect opportunity for all of us.*