National Life Group®

Enjoy Guaranteed Retirement Benefits with the Potential for Substantial Business Tax Deductions

How a fully insured 412(e)(3) Defined Benefit Plan can help achieve this goal

THE ADVANTAGES OF A 412(E)(3) DEFINED BENEFIT PLAN

Larger Tax Deductions

The required contribution for a defined benefit plan is calculated based on the guarantees of the underlying products, which generally provides higher tax-deductible contributions than other qualified plans.

Tax Deferred Growth

Earnings on plan assets are tax-deferred.

Guaranteed Retirement Benefits

A 412(e)(3) Plan is the safest type of retirement planning. Contributions are invested in guaranteed annuity and life insurance contracts, thereby eliminating investment risk for both the employer and the employee.

Asset Protection

Plan assets are generally protected from creditors.

Products issued by:

National Life Insurance Company® | Life Insurance Company of the Southwest®

TC140710(0324)3

Cat No 64198(0324)

If you are looking for a way to use business dollars to fund personal benefits and guarantee your retirement income...

A 412(e)(3) defined benefit plan may be the solution.

How it works:

1. After determining that a 412(e)(3) plan is the most suitable qualified plan type, the business adopts the plan, chooses a plan administrator and names the trustees for the plan (generally the business owners).
2. The business makes annual tax-deductible contributions to the plan.
3. The plan must be funded with a fixed annuity or a combination of a fixed annuity and whole life insurance.
   – Funding the plan based on the product guarantees allows excess earnings to go back into the plan each year to reduce your out-of-pocket contribution.
   – Because the plan is funded based on the product guarantees, there is no need for annual actuarial review resulting in lower administrative fees.
4. Contributions and earnings accrue on a tax-deferred basis and do not become taxable to participants until distribution. If life insurance is used to fund a participant's retirement benefit the participant will be taxed annually on the economic benefit of the life insurance.
5. At retirement, distributions from the plan provide retirement income.
   – Plan benefits may be rolled into an IRA and continue to accrue on a tax-deferred basis until the client reaches required minimum distribution age.

Why include life insurance?

- By including whole life insurance, the retirement funding is completed in the event of premature death. The beneficiary receives the death benefit[1] in addition to their accrued benefit.
- Premiums are paid with tax-deductible plan contributions and the death benefit is paid partially income tax-free.[1]
- Allows you to free up personal dollars that would otherwise be needed to purchase insurance outside the plan.
- Your insurance coverage is a portable benefit that can be continued outside of plan following separation from service.

1
The business adopts a qualified plan and selects a plan administrator.

2
The employer makes tax-deductible plan contributions based on the guarantees of the underlying product(s).

3
The plan is funded with fixed annuities or a combination of annuities and whole life insurance which provide a higher level of asset security.

4
Contributions continue to grow tax-deferred until distribution.

5
At retirement, the business owner and the employees have guaranteed assets to use for retirement income.

1 The taxable portion of the death benefit received from a life insurance policy inside of a qualified plan will be equivalent to the policy's cash value at death minus the total taxes paid on the policy's economic benefit.