

WHAT WE DO BETTER

LAR Pensions, LLC provides complete design, actuarial and administration services with respect to all types of IRS qualified retirement plans.

We offer maximized Plan Design and Flexible Administration along with a competitive fee schedule.

Our staff is dedicated to providing our clients with the dependable, high quality service necessary to enable them to sponsor a qualified retirement plan. We allow our clients to enjoy the plan benefits without experiencing the administrative burdens that would normally accompany such a plan. (*Our practice does not include the selling of insurance or investment products*).

Our services include:

- ◆ **Plan Design** - We will work with clients to understand their business, tax planning and other objectives in establishing or sponsoring a retirement plan which best meets the client's objectives. We design 401(k), Profit Sharing / Offset Arrangements, and Defined Benefit Plans using the New Comparability (Cross-Tested) allocation method for maximization.
- ◆ **Plan Administration** - Our services package is complete; it relieves the Company of all the work connected with the administration of the plan. The Company's role is limited to providing us with basic employee, Company data, life insurance and financial data.
- ◆ **Actuarial and Account Record keeping** - We provide complete actuarial and plan cost analysis for defined benefit pension plans. For defined contribution plans, we provide full individual employee account record keeping reflecting all plan contributions, investments and forfeitures.

The role of LAR Pensions, LLC is to guide its clients in sponsoring a qualified pension plan. This includes initial establishment, ongoing administration and periodic review to assure the plan is continuing to meet the client's objectives.

Who needs a Pension Plan?

Any business entity with as little as 1 participant (owner), and anyone that prefers spending money on themselves and their employees before taxes, instead of putting \$ into Uncle Sam's pocket today!

What is the most common Pension Plan established for an owner?

It all depends on the clients' current and projected needs. *An owner that can set aside more than \$45,000 should consider a Defined Benefit Plan.* Generally, owner(s) who are younger than 45 years old would consider setting aside up to \$45,000 on a Defined Contribution Plan(s).

What is the main reason for establishing a Pension Plan?

There are actually many reasons. However, the number one reason is to get a *current tax deduction*. Employee retention, tax free investment growth and accumulation, and transfer of wealth are also important attributes of a Pension Plan (i.e. to use with stretch IRA Estate Planning techniques).

What is the allocation Formula?

A prototype document, *boiler-plate* pension plan, provides a straight formula based on a certain uniform percentage of salary. A *Customized Document*, grants the owner(s) the opportunity to design their own Pension Plan with a more flexible formula. Numerically, as long as the minimum parameters are met (i.e. refer to sample in New Comparability Pages ahead), by testing employees by classes (Cross-Testing), the owner(s) could get the Maximum \$45,000 or 25% by providing as little as 5% of pay to all or most NHCE's.

What if the company has many employees?

If the limit to set aside is \$45,000, a Profit Sharing New Comparability plan will allow the owner to get 25% or maximum \$45,000 while providing the minimum 5% across the board or different rates depending on class classifications. Also, the Plan will allow employees to defer salary using the 401(k) feature. Some employers feel that a group of employees should get a different percentage. The New Comparability Plan allows the owner(s) to make discretionary contributions with as many as 10 different classes. They can set classes at 0%, 3%, 5%, 7.5%, 10%, 15%, 20%, 25% or higher or as desired with a limit established each year by the IRS. We will always start with the maximized Pension Plan design. The owner(s) can always adjust the formula upwards as desired. Many more advantages apply.

A full census is required for a FREE proposal
(available at www.larpensions.com)

CLIENT SERVICES

REGULAR PLAN SERVICES QUALIFIED RETIREMENT PLANS

DEFINED CONTRIBUTION PLANS

- ▶ Profit Sharing
- ▶ Target Benefit and Money Purchase
- ▶ 401(k) Plans.
- ▶ New Comparability / Cross-tested / Class allocated

DEFINED BENEFIT PLANS

- ▶ Straight Defined Benefit
- ▶ New Comparability / Cross Tested
- ▶ Offset DB/ DC

INITIAL PLAN DESIGN CONSULTING SERVICES, INCLUDING:

- Analysis of alternate retirement plans.
- Analysis and estimates of plan contributions and benefits.
- Side by side analysis of proposed contributions between alternative plans.
- Recommendation on plan best suited to meet client objectives.
- Actuarial analysis and estimates of plan contributions and benefits.

NEW COMPARABILITY PLANS

(Our Specialty)

Good news! New IRS regulations now allow businesses and professional practices to establish a new and exciting type of profit sharing plan and / or Defined Benefit Plan, popularly known as a "New Comparability" plan or "Cross-tested" Plan.

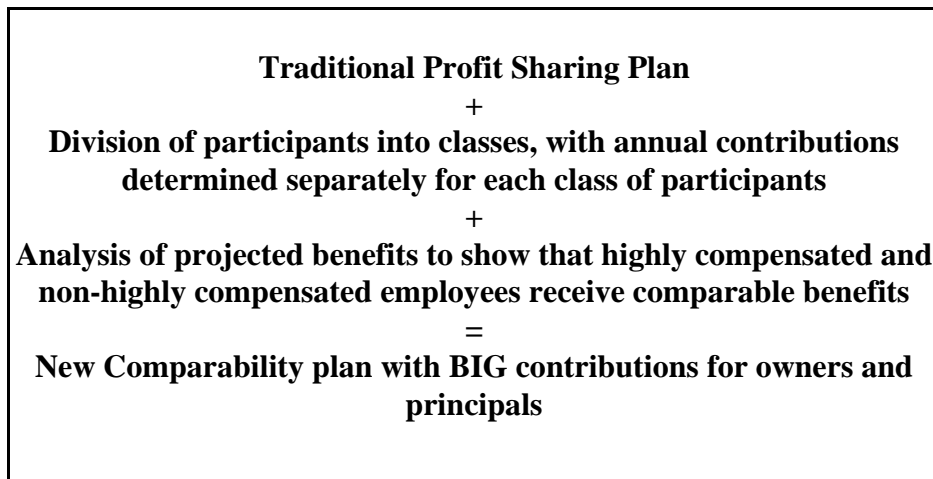
WHAT IS A NEW COMPARABILITY PLAN?

A new comparability plan is an entirely different type of profit sharing plan that allows very substantial contributions for a selected group, with much lower contributions for the other employees, subject to IRS / ERISA non-discriminatory standards.

In some cases, annual contributions can be as high as 100% of pay or \$45,000 per participant for a "highly compensated" group of employees, with as little as 5% of pay allocated to the accounts of younger, "non-highly compensated employees."

HOW IS THAT POSSIBLE?

IRS regulations allow employers to divide plan participants into two or more "classes," and to make much larger contributions to the plan for one class than for another. Plan(s) is tested for



discrimination at normal retirement date (age 65) rather than at present.

Therefore, employees with more years until retirement can accrue an equivalent benefit to an older owner receiving a larger contribution. What is larger at retirement a \$1,000 contribution to a 50 year old or to a 28 year old?

WHAT'S THE BOTTOM LINE FOR MANY EMPLOYERS WITH THE NEW PLAN?

The percentage of the plan contribution going to the accounts of owners and other highly compensated employees can be much higher with a new comparability plan than with a traditional profit sharing plan. And the cost of providing benefits to other employees can be remarkably low.

HERE'S AN EXAMPLE:

XYZ, Inc.'s owner and president, Tom, age 55, earns \$225,000 per year. Sam, age 51, his salesperson, makes \$104,000. They are the company's only highly compensated employees. XYZ, Inc. has two non-highly compensated employees. Ann, age 55, earns \$27,500 per year; and Jim, age 28, earns 35,000. Tom would like to have a retirement plan that would make sense to him to implement, meaning that as much as possible has to be allocated to his individual account, and with as little as possible allocated to the accounts of the other employees, otherwise he will ignore any Plan. He also has a \$50,000 budget.

A Profit Sharing Plan using two allocation methods with a \$50,000 budget are illustrated. Look at the allocation rates using the straight Profit Sharing plan compared to the "new comp" plan:

	Profit Sharing		New Comparability	
	Allocation	% of pay	Allocation	% of pay
Tom	\$28,732	12.77%	\$45,000	20.00%
Sam	\$13,281	12.77%	\$3,120	3%
Ann	\$3,512	12.77%	\$825	5%
Jim	\$4,469	12.77%	\$1,050	5%
Total	\$49,994	12.77%	\$49,995	12.77%

Instead of receiving 57.5% of the traditional plan contribution, Tom will have **90.5%** of the new comparability plan's contribution allocated to his own account. Tom will receive **\$16,268 more**, and the cost of providing benefits for his employees will be **\$16,267 less**.

New comparability plans are ideal for businesses with owners and principals who:

- ◆ are older, on average, than their other employees (and the bigger the age spread the better);
- ◆ want the contribution flexibility of a profit sharing plan; and
- ◆ want the biggest possible share of the plan contribution allocated to their own accounts.

These businesses are perfect candidates for new comparability plans, if they want:

<p>Maximum or moderate contributions for a targeted group of employees, with minimum contributions for other employees, all within a reasonable, affordable and <u>flexible</u> total contribution limit.</p>
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These plans offer an exciting new benefit planning opportunity for many businesses. We would be pleased to help you determine whether a new comparability plan would be appropriate for your company. A New Proposed regulation effective January, 2002 affects the design of cross-tested Plans. It is permissible to have non-highly compensated participants receive 5% of compensation or at least a 1/3 in proportion to the highest paid class. For example, if an owner is receiving 13.8% of pay then 1/3 of that is 4.6% of pay.

Please call us at (203) 327-5275 if you have any questions about new comparability plans, or about any other benefit plan issues. We'll look forward to talking with you soon.