412(i) Fully Insured Plan

CLIENT PROFILE: Small business with owner over age 45, with five employees or less. Business should have solid profits and cash flow with a minimum funding time horizon of 5 plus years. Perfect for the business owner looking for maximum tax-deductions, or a need to "catch-up" on retirement funding. Plan has ability to provide life insurance coverage on a pre-tax basis.

Company Sponsors a 412(i) Plan, a special type of defined benefit plan.
(1)

Company makes tax-deductible contribution to plan based on plan benefits to be received at retirement.

Funding vehicle usually an annuity offered by a life insurance company.
(2)

Life insurance protection can be provided to a Participant, subject to limitations.
(3)

Initial contributions are based on funding for a retirement income based on guaranteed interest rates. Any excess interest is required to be used to reduce the following year's contribution.
(4)

(5)

When a Plan Participant leaves, the benefit is the surrender value in annuity and life insurance policies. Values can be rolled into Rollover IRA.

(6)

Plan sponsor may terminate before funding completed and distribute values or alter the funding levels by redesigning the Plan benefit levels.

At Plan termination or upon Participant leaving the Plan, life insurance policy providing death benefit coverage can be purchased for surrender value or policy can be terminated and surrender value rolled into "Rollover IRA."
(7)

1. The Company sponsoring Plan makes contributions sufficient to fund a retirement income based on a percentage of participant income. The entire contribution is deductible as a contribution to a Qualified Plan.

2. Funding vehicle is specially designed fixed annuity policy. In some instances, fixed life insurance policies with an annuity rider are used. The retirement benefit is funded based on the guaranteed surrender values in the policies.

3. Life insurance protection is available up to a maximum death benefit of 100 times the monthly retirement income benefit. Taxes are paid yearly by the Plan Participant on the "economic benefit" of the pure life insurance death benefit provided. Inclusion of life insurance does not lower retirement benefit paid, it raises contribution level and maximizes tax deduction. Insurance policy surrender values are used in computation of value of Plan at retirement age.

4. Plan is designed using the guaranteed interest rates of the policies funding the Plan. The initial contributions to the Plan are required to be offset in subsequent years by the excess interest rates and dividends. Consequently, the contributions to the Plan are highest in the early years, growing smaller over the years.

5. When a Plan Participant leaves the Plan, the benefit taken is simply the sum of the surrender values in the policies funding the Plan. These values can then be rolled over into a Self directed "Rollover IRA."

6. Plan sponsor can decide to alter funding or terminate Plan. If Plan is terminated, Plan assets are distributed with each Participant receiving the surrender values in the policies providing funding for that Participant. If the company wished to alter funding to the Plan, the Plan design can be redesigned to allow for a funding change.

7. If life insurance is used in the Plan, it can be purchased from the Plan or terminated and the surrender values used to fund a Rollover Ira in case of Plan termination or Employee withdrawal. Special care should be taken in the design of the Plan and policy selection to insure that the policy used is appropriate for the situation.

Chase Financial Services 4 Peace Pipe Lane Fredericksburg, VA 22401 Tel: 1-888-854-9553