THE NEXT STEP

A Bold Approach to a Quality Plan

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YOU RUN A SUCCESSFUL BUSINESS

You're busy. You have limited time to look, listen, and determine if a plan makes sense for your situation. Most times, you need the facts. You want to look at the critical items yet understand how they would work for your organization.

Here's a thought...

How about an easy-to-read, straight-to-the-point book that provides most of those answers? A book that you can go back to for reference when you need more clarity. Wouldn't that be great?

Well, that's why I wrote this.

The Secure Act 2.0 is part of the 4,155-page 1.7 trillion-dollar Omnibus budget bill. The Secure Act 2.0 builds on the first Secure Act passed in 2019. Both were designed to expand access to workplace savings plans at companies large and small and to improve the retirement savings opportunities for workers in the United States. While many new rules begin in 2024, a few important ones start in 2023. We will highlight the new rules and let you know what to anticipate in 2024. The good news is that employers aren't forced to do anything they weren't already doing. The Secure Act 2.0 allows for more options and increases employers' incentives. So, let's explore the opportunities.

HERE'S THE NEXT IMPORTANT PART

Why do most agents and advisors not follow up with clients or properly service their plans? Because it is not their primary business. A properly serviced plan is essential for success, and I want to work with you to create the best plan possible. My goal is to help people save money, have a dignified retirement, and have resources available in times of crisis. I am happy to meet with you, your team or your accountant to discuss our path to success.

TAX CREDITS

In 2023, tax credits will be available for employers with 50 or fewer employees who have not had a retirement plan in the past three years. These employers can receive a 100% tax credit for the initial plan expenses with a dollar limit of the greater of a or b.

a) $500
b) $250 times the number of non-highly compensated employees eligible to participate in the plan but no more than $5,000.

The credit is available for the plan's first year and the following two years. An additional $500 credit is available for start-up plans, including an automatic enrollment provision.

The Secure Act 2.0 also includes a new five-year tax credit for employer contributions made to a new plan. The credit is equal to the amount contributed to the plan for each employee, with a cap of $1,000 per employee who makes $100,000 or less. The credit phases out over five years: Years 1 and 2 have full credit, year three is at 75%, year four at 50%, and year five at 25%. No additional credits are available beginning in year six. For employers with more than 50 employees at the end of the plan year, the credit will be reduced by 2% for each employee.

The Act also offers tax credits to low and moderate-income workers and a limited federal match on contributions for low-income retirement savers. This credit provides additional tax deductions for retirement savings and will replace an existing nonrefundable credit for lower-income retirement savers starting in 2027.

WHAT ARE TAX CREDITS?

A tax credit is a way to reduce the amount of income tax you owe, dollar for dollar. For example, if you have a tax obligation of $7,500 and you receive a $5,000 tax credit, your tax will be reduced to $2,500.

According to a study by Boston College, many Americans are not saving enough for retirement and will have a lower standard of living when they retire. To help encourage retirement savings, the Secure Act 2.0 was passed at the end of 2022. This legislation provides new incentives to strengthen the tax credits offered in the original Secure Act.

TOP THREE REASONS WHY EMPLOYERS DON'T START A PLAN

In recent employee surveys, many employees expressed concern or even fear about their retirement, and 87% said that their employer should help with this.

In another survey, the most requested benefit from employers was a retirement plan. As a business owner, I have noticed that small business owners often have a personal relationship with their employees and know their financial situation. When asked if they would offer their employees the opportunity to save for retirement through payroll deductions, most employers say yes.

1. Cost – Employers believe it's too expensive.

2. Revenues are not certain. Because it's a small business, revenues are uncertain from year to year.

3. Employers believe employees would rather have more money now instead of planning for retirement.

"National Association of Plan Advisors", writer Ted Godbout. Surveys done by the Employer Benefit Research Institute, The Pew Charitable Trust, and the Transamerica Institute.

UNDERSTANDING YOUR PLAN

When considering qualified plans for small employers, the three most common options are SIMPLE IRAs, 401(k)s, and profit-sharing plans. SIMPLE IRAs have no administrative expenses but come with some restrictions. 401(k)s and profit-sharing plans both have a one-time startup fee for designing documents, creating a summary plan description, and setting up the plan, which typically ranges from $500 to $1,500.

Most plans also have an annual document maintenance fee of between $200 and $500, depending on the type of plan and the number of employees. These fees cover a range of services, including testing, preparation of the 5500 form, and technical services like daily participant valuation.

These services are provided by a third-party administrator (TPA), who works closely with the employer to ensure proper testing. The TPA may be part of the provider or an independent company. It is essential to understand their role in a successful plan.

SIMPLE IRA

Savings Incentive Match Plans for Employees

In 2023, you will be able to save up to $15,500. If you are 50 or over, you can add catch-up contributions of another $3,500 for a total of $19,000. Now, as the employer, you must provide the employees with two options. Either up to a 3% match or a 2% nonelective contribution. That can fall to as little as 1% in two of five years. However, no matter when the plan is started, the match must equal the annual compensation for the employee. The 2% nonelective contribution is up to a compensation limit of $330,000 in 2023. The employer cannot offer both a match and a nonelective contribution. Both are 100% vested. What is vesting? Well, it's ownership. It's the amount that the employee will vest or own during the plan year. If an employee is 100% vested, he owns 100% of it.

The employer cannot forfeit or take it back for any reason. The Secure Act 2.0 made several significant changes to SIMPLE IRAs. Perhaps the biggest was providing a ROTH provision for the employer and employee. In addition, instead of one day a year to terminate the plan (December 31) with a 60-day notice, a SIMPLE plan can be moved mid-year as long as it is moved to a Safe Harbor 401k. No doubt, Congress saw the benefits of a 401k over a SIMPLE plan.

Now, there are three hardship provisions available. One, you can take up to $10,000 out to buy, build, or rebuild your FIRST home. Two, you can take up to 7.5% of your adjusted gross income (or $10,000) for unreimbursed medical expenses. And three, you can take money out for qualified educational expenses. Additional withdrawals without the 10% penalty include death, disability, an IRS levy, a military reservist called to duty, and a series of substantially equal payments. You see, a SIMPLE IRA does not provide for loans. So, other than those conditions, there's no way to take money from the account. Another restriction includes a 25% penalty for funds that are withdrawn in the first two years of participation in a SIMPLE.

STARTER 401K PLAN

As an employer, you may be eligible for the new "Starter 401(k)" plan starting after December 31, 2022, if you do not have any other qualified plans. It is estimated that this new rule will give 19 million workers access to a workplace retirement plan. The Starter 401(k) will be free of testing and is designed to help employees save. According to Sallus Retirement, over 65 million workers do not have access to a qualified plan. Studies have shown that when it is easy to save, people are more likely to do so. In fact, a Vanguard study found that workers are 12 times more likely to save if it is offered through their workplace.

In the Starter 401(k), all employees are automatically enrolled at a minimum contribution rate of 3%, up to a maximum of 15%. Employees can contribute up to $6,000 to their account, and those 50 and over will be eligible for catch-up contributions. These amounts will be adjusted for inflation each year. It is important to note that the employer is not required to match employee contributions in a Starter 401(k), and the plan will have simplified reporting. The Starter 401(k) was introduced in the Senate by Senator John Sareasso (R) from Wyoming and has received positive reviews from both the Senate and the House.

401K

A 401(k) plan is a salary deferral plan where employees can choose to contribute a portion of their salary to the plan. For 2023, employees can contribute up to $22,500 to their 401(k), and those 50 and over can contribute an additional $7,500 in catch-up contributions for a total of $30,000. However, there are restrictions for highly compensated and key employees. If the rank-and-file employees (non-highly compensated) have a low average salary deferral into the plan, the highly compensated employees may not be able to contribute as much as they would like.

To ensure compliance, the employer's Third-Party Administrator (TPA) will perform quarterly testing to make sure the plan does not become top-heavy, and the employer is not suddenly obligated to contribute more money to the plan for the employees. The employer has the option of offering a match or not and can even design a plan with a discretionary match. This means that the employer can commit to matching 100% of the first 3% of employee contributions but reserve the right to not follow through if necessary.

The employer can provide 100% vesting immediately if he or she wishes. There are two different types of vesting graded or cliff. Graded is a gradual increase of vesting through the years up to seven years. For instance, 0% in year one, 20% in year two, 40% in year three, 60% in year four, 80% in year five, and 100% in year six. On cliff vesting, the employer could choose 0% in year one, 0% in year two, 0% in year three, and 100% in year four.

One of the reasons to offer vesting is to reward those employees that stick with you. So, what happens if someone leaves and is only 40% vested? What happens to the other 60%? The employer can 1) give that amount based on income to the remaining employees or 2) use it for future matching. It cannot come back directly to the employer to use as they wish. Once again, the TPA handles those distributions and keeps up with the vesting schedules. Many employers choose a safe harbor plan if the employer wants to help the upper management and the highly compensated employees.

By adding a safe harbor plan, everyone can reach the maximum threshold of contributions. An employer can achieve a safe harbor plan in one of two ways. The first one is often used, but I'm not a fan of it. If you provide a three percent nonelective contribution across the board to all participants, then there is no further testing. The reason I don't like that aspect is that even if the participant doesn't match, the employer still has to put the money in for that participant. I want the employee to understand the importance of retirement and "be in the game" by participating with their dollars.

The second way, and my favorite, is to offer a match of 100% of the first three and 50% of the next two. Meaning, if John is willing to do a 5% salary deferral, the employer puts in 4% for a total of 9%. Imagine, if John is making \$100,000, \$9,000 a year is going into this plan!

If the participant doesn't want to match, the employer is under no obligation to provide any dollars to them. Yet, can max out the employer's salary deferral of $30,000 if 50 or older. All contributions by the employer on safe harbor plans are 100% vested to the employee.

Another great option an employer has with a 401k plan is the ability to determine if loans and hardships are available and at what levels. I've said before and will say again that I believe liquidity is important. Many accountants might disagree and tell you that loans are just another nightmare to consider as you become a loan officer. Nothing could be further from the truth if the plan is properly designed.

Don't offer loans of $25 or even $250, as you could be overrun with loans. Plus, the TPA can do all of the heavy lifting. My suggestion is to offer no loans for less than $1,000. In other words, offer loans when there is a real need.

So, let's look at the rules. If you take a loan it comes out of the account balance. The participant must pay a current interest rate on the loan. The participant can only take up to 50% of the account balance or $50,000, whichever is less. That's a key piece in the loan process. In addition, the participant has up to five years to repay the loan. If they didn't, it would be deemed a withdrawal, and the remaining loan amount would be taxed and then hit with a 10% penalty if under the age of 59 ½.

Almost all plan documents include hardship withdrawals, but that does not keep those withdrawals from taxes. One new perk that can soon be added is the Emergency Savings Account. That can solve problems of needing quick money. If you add this to your document, the employee can put up to $2,500 into the ESA and withdraw as needed, regardless of frequency. It would be in a ROTH account, so there is no taxation, and it comes penalty-free. It's potentially a great solution, especially for lower-income workers with tight money.

Almost all plans provide daily valuations for participants. Employees can keep up to date on their balances and make changes whenever they wish. Today's plans offer an assortment of subaccounts to choose from with a variety of risk tolerance.

One of the biggest bright spots concerning The Secure Act 2.0 is the new rule affecting RMDs (Required Minimum Distributions). Starting on January 1, 2023, the age moves up to 73. In 2030, it will move to age 74; in 2033, it will be age 75. That should encourage older workers to participate in their qualified plans even more.

The new rules concerning Secure Act 2.0 are vast. Soon, anyone making more than $145,000 will have to put “catch-up” contributions into a ROTH portion of your plan. However, in 2025, workers aged 60 through 63 will be able to make higher “catch-up” contributions than other ages. One of the significant rule changes in 2025 will be that any employer that starts a plan on January 1, 2025, or beyond will automatically enroll workers at 3% into the plan. Each year after, it will be increased by 1% up to 10% (maximum of 15%). While the worker can opt out in writing, it could bring an additional administrative headache to the employer. Any plan written before will not be under those rules.

An employer makes the initial decision on how to structure the plan but may want to make a change. Amendments are easy to do in a 401k plan. For instance, you started a plan where an employee had to be with the business for one year before being able to participate. Now, you have recruited a potential key employee and want to have him be a part of the k immediately. A simple amendment to the plan can take care of that. Amendments usually run between $150 to $500. On k’s and profit-sharing plans, you must sign and return to the Department of Labor a 5500 filing no later than the end of the seventh month after the plan year. The TPA provides that return for the trustee to sign.

What if you have an existing plan that is not being serviced properly? Every day I’m out in the field talking to an employer, I hear the same thing.

"I haven't seen my advisor or agent since we enrolled in the plan."

"I seriously don't even know my advisor's name."

"I don't even know what funds I have in the plan or how they are doing!"

Here's why I'm hearing that. I believe it's not their primary job. They don't understand 401ks and Profit-Sharing plans. It's not their passion. When times are good, they don't want to rock the boat. When times are bad and the market is down, they don't know how to discuss it. A successful plan requires and demands that you have at least annual meetings. If you're unhappy with your plan, let me do a review.

This is what I do. Yes, there are a lot of rules and regulations with qualified plans. Let me help you navigate those jungles.

PROFIT-SHARING

I'm adding this chapter on Profit-Sharing Plans for the employer with a smaller group of employees. There are several types of profit-sharing plans like the traditional method, Social Security Integration, which is based on the income of each participant. Then, you have age-weighted plans that provide more benefits to those who are older. But my favorite is called "New Comparability" or "Cross Testing".

These plans still have testing rules. It's vital to have a professional provide accurate information on the correct amounts of each group so that testing can adhere to the proper guidelines. Your TPA will provide that information to you after you determine your wishes for the various groups.

Here we have five participants. The owner is placed in his own category. Since he makes a good bit more than the other employees, he's positioning himself to take the majority of the profit share. He names two additional classes based on management and then "everyone else".

Take a look. He's able to take 91% of the total contributions!

Below is a specific example of the allowable plan allocations of a new comparability plan versus the traditional profit-sharing approach.[1]

	Age	Salary	Traditional Profit-Sharing Allocation	Percent of Total Allocation	New Comparability Profit-Sharing Allocation	Percent of Total Allocation
Owner	60	$165,000	$38,367	57%	$61,000	91%
Employee	51	$38,000	$8,834	13%	$1,900	3%
Employee	42	$32,000	$7,441	11%	$1,600	2%
Employee	29	$28,000	$6,511	10%	$1,400	2%
Employee	26	$26,000	$6,047	9%	$1,300	2%
Total		$289,000	$67,200		$67,200	
Owner's Share			(57%)		(91%)	

1) Allocations are dependent upon the specific ages of the employees in the firm. The allowable allocations necessary to meet the nondiscrimination requirements will vary by firm. Maximum contribution illustrated reflects limits for a 2021 Plan Year. In defined contribution plans, the amount of funds accumulated and the investment gains or losses solely determine the benefit at retirement. Distributions made to a Participant before age 59½ may be subject to a 10% premature distribution penalty. Qualified Plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules.

If you like this idea, let's take your census and see what it would look like for your business. There are a couple of items you must be aware of. This type of profit share is not for everyone. As I said, it's for those businesses with a few employees.

In 2023, the total you can put into qualified plans is $66,000. If you are 50 or older, you can add an additional $7,500 for catch-up contributions for a total of $73,500. In this case, it's possible to maximize your contribution and there would be no need to do a 401k. You can do it all with a profit-sharing plan.

THAT'S THRILLING!

You do NOT have to profit-share just because you have a profit. You can make a contribution even if you didn't have a profit. This is not something you have to do each year. Plus, you can add a vesting schedule or loans to your profit-sharing plan. A profit-sharing plan can provide a lot of flexibility and is relatively inexpensive to administer.

So, where does the Secure Act 2.0 come up short? What the Act doesn't achieve is making sure that Americans end up saving enough to allow them to enjoy a reasonable standard of living in retirement! The bill doesn't tackle why folks don't save enough.

In 2023, a recent survey showed that 78% of all employees are concerned that they will not be able to retire on time. Economic uncertainty has investors lost in the woods. OneAmerica's recent survey found that consumers place the highest importance on saving enough money for retirement at 86%. Elimination of debt came in second at 74% followed by having liquidity for emergencies at 68%.

As an employer, that tells you volumes. But here's the problem. More than likely your employees were never schooled concerning financial matters and savings. One quick enrollment meeting isn't going to solve what they have missed their entire lives.

See, they were not taught in grammar school how to save money. Nor were they taught in high school about investing. They didn't learn in college the importance of putting away money for the future or how compound interest works.

I love providing a multi-night financial workshop that teaches the basics of planning and savings. I talk about risk management and risk tolerance. We discuss financial terms and go more in-depth about the plan you have chosen for them.

Along with the course, I provide a 222-page workbook that they can keep for future reference. It's a critical step and a key piece in making the plan as successful as it can be. You might think that your employees wouldn't have an interest. But are you sure? Just read what the surveys are saying. This financial education course that we offer might be the value add to help you retain and recruit the best employees.

FINANCIAL ORGANIZER

In addition to financial education, it makes sense to help each participant learn the importance of their finances. Many of us tend to put the inevitable in the back of our minds. Thus, we leave our loved ones in a situation no one wants to be in. If something happened today, where would your loved ones go to find out your wishes? Where are your important papers? Where are your important documents?

For those that attend our financial education class, we go a step further. We provide a comprehensive financial organizer to each family. We will even assist in putting it together for them. Keeping everything together for review is important but having your wishes completed is even more important.

Organize while you're living so your loved ones don't have to go digging and combing through papers, computers, and old files in an effort to find important documents and passwords. Organize for your family so their grief is not multiplied by the paperwork and financial concerns.

IT'S A SENSIBLE, PRUDENT STEP IN DEVELOPING A PERSON'S FINANCIAL PLAN.

ALTERNATIVE PLANS

RETIRING WITH DIGNITY IS A GOAL FOR MANY BUT FEW OF US HAVE A PLAN FOR HOW TO ACTUALLY DO IT.

You might be thinking that you don't want the obligations involved when implementing a traditional plan. The testing, the reporting, and the rules are thoughts that keep you up at night.

Consider this.

In 2021, Congress passed the revision of the 7702 regulations. 7702 is the definition of life insurance. Before the passage of this revision, you could "overfund" (put more money into the policy than was required to keep the policy active). But today you can build a 'plan of action,' potentially keeping expenses lower and assets higher. It can provide a perfect way to develop a strategy for asset building using the rules and laws of life insurance, which allows you to take tax-favored distributions.

In today's world of life insurance, you may be able to get up to $1,000,000 in coverage in just a few minutes by answering a few questions concerning your health.

Using the force of life insurance, which provides a tax-free death benefit, let's think about other uses. What would happen if you lost a key employee? It just makes sense to insure that person through the business. When you think about replacing that employee, imagine recruiting, training, and developing the expertise that he/she had. It could have a dramatic effect on the bottom line of your business. The business can pay the premiums and own the death benefit and the cash value of the policy.

What about retaining that key employee? Now, here is an excellent way to enhance the highly compensated employee's plan if the testing on the 401k prevents it. The business can pay premiums on the policy and receive a tax deduction. While it's taxable to the employee, you can provide a bonus on the bonus to take care of the taxes if you wish. What a great way to retain your top talent and care for those essential employees.

Now, why would you consider such a direction?

If properly designed, the liquidity in the indexed universal life insurance plan policy could be outstanding. Remember when we discussed the maximum requirements in a 401k and/or a Profit-Sharing plan? Only 50% or $50,000 of the account value can be accessed, whichever is less for a loan. Plus, the money drops out of the account balance and the participant must pay a *"real"* current interest rate.

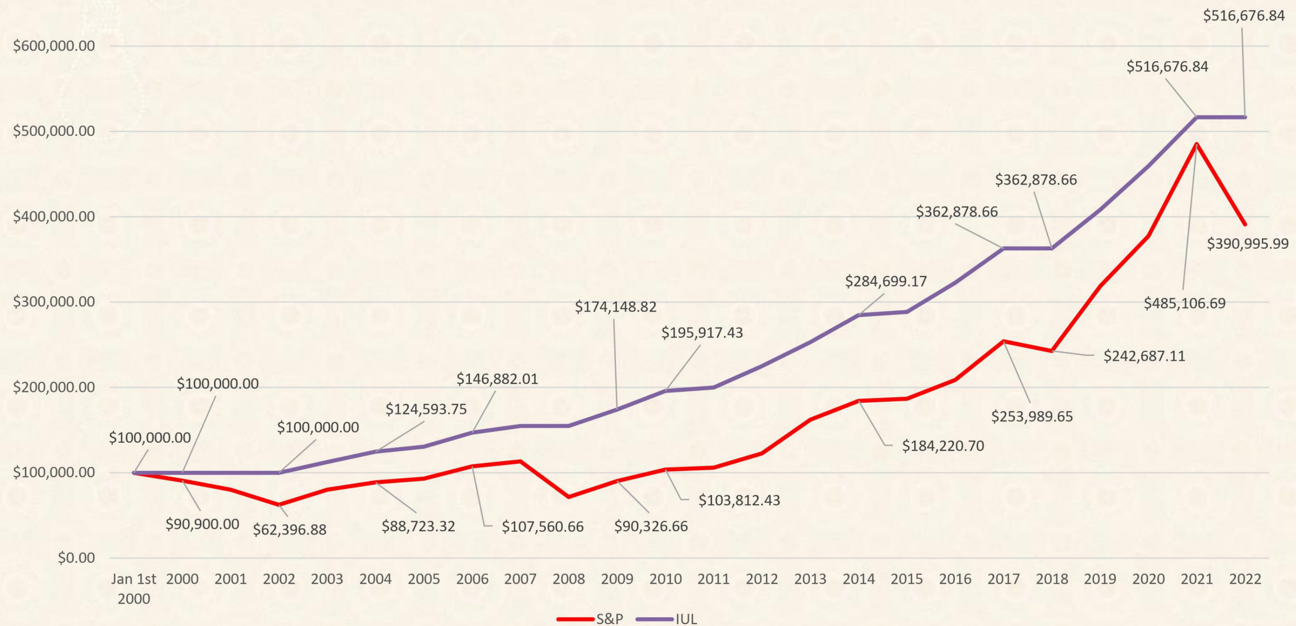
In an indexed universal life insurance plan illustration, you might see upwards to 75% liquidity by the end of the second year if properly designed. And that number, most likely, will rise.

Here's the best part. If you use the variable loan option, the money actually stays in your crediting strategy. The carrier uses your money as collateral and only charges the Moody's bond rate. With rates on the rise, a concern may be that the loan rate could exceed the gains on the crediting strategy. There are life insurance companies that offer a maximum loan rate of 5% while providing no cap options on certain indexes.

In addition, let's look at how an index truly works. After a premium is paid, expenses are deducted, and the remainder is put into bonds or fixed buckets by the insurance carrier. Meaning, your money is safe. With some of the expenses that were paid, the carrier purchases options on the strategy that you select. The strategies can be realigned at the end of each term if you desire. If the index has risen at the end of the term (typically one year), the option is exercised, and the policyholder is credited with the gain based on how that strategy worked. If the index lost money in that period, the carrier simply doesn't exercise the option. Thus, your money stays in the fixed account. Either way, at the end of the term, the gain or non-gain is locked in and reset at whatever the index is at for the next term. No matter what, the crediting strategy can never lose money. By overfunding, you are reducing the expenses while also reducing the amount of life insurance. You maximize the upside potential by placing more money into various strategies.

Let's see if we can make that simple to understand. On the next page is a chart to use as an example. We make no declaration that this is any particular carrier or cap rate currently being used by a company. We do not imply that the future of a policy will make this return. In fact, the carrier will declare new cap rates, participating rates, spreads, and charges at the end of each term. It is always in the client's best interest to have a review with me each year about every aspect of the policy to have a complete understanding of how it works. In our example, let's see what would have happened if the client had placed $100,000 into the S&P 500 on January 1, 2000, versus placing an option into a crediting strategy with a 12.5% cap rate. The end date we're using is December 30, 2022, which was the date of this printing. This example does not include expenses of the policy as it would vary on the carrier, age, and other factors.

Based on historical returns,
How did the IUL compare to Actual S&P Performance?



*Original investment of $100,000 in January 2000
**assuming 12.5% cap on IUL
**Neither performance is calculating expenses
S&P Performance Source: https://ycharts.com/indicators/sandp_500_total_return_annual

Performance per year

	S&P Actual	IUL Return assuming 12.5% cap
2001	-11.86%	0.00%
2002	-22.12%	0.00%
2003	28.39%	12.50%
2004	10.75%	10.75%
2005	4.79%	4.79%
2006	15.69%	12.50%
2007	5.39%	5.39%
2008	-36.97%	0.00%
2009	26.42%	12.50%
2010	14.93%	12.50%
2011	2.06%	2.06%
2012	15.84%	12.50%
2013	32.21%	12.50%
2014	13.53%	12.50%
2015	1.34%	1.34%
2016	11.80%	11.80%
2017	21.69%	12.50%
2018	-4.45%	0.00%
2019	31.29%	12.50%
2020	18.40%	12.50%
2021	28.59%	12.50%
2022	-19.4%	0.00%

S&P Performance Source: https://ycharts.com/indicators/sandp_500_total_return_annual

What you will note is that when the market went down, our crediting strategy stayed level due to the fact that we didn't exercise the option. When the market went up, the crediting strategy grew as well. Thus, the difference between the two accounts is significant.

Your employees may not be as versed in the market as they would like. Thus, trying to navigate the waters of the market inside a 401k could be tricky. With indexing, they might be able to smooth the waters a bit.

I have mentioned the "rules and laws" of life insurance several times in this book. Let me explain one of the major advantages of being able to use your account value as collateral when you need money from your account. Imagine, if you had $100,000 in the account. You need $75,000 of it immediately. As a business owner, it might be for necessary expenses to keep your business moving or it might be used to buy out a competitor! Whatever the reason, you need the money now. Let's assume the Moody's Bond Rate is 7% but you are in a product with a max loan rate of 5%. The carrier sends you the $75,000. First, there is no time frame to ever repay it. At death, if not repaid, it will simply be deducted from the death proceeds.

In the first year, the index made 1%. What is the cost of the loan? It would be 4% or $3,000. The next year, you make 12% in the crediting strategy. Remember, the cost of the loan was 5%. Guess what? You would net out a 7% gain or a gain of about $5,250! Most policies have a historical chart showing how the various indexes have done. Consider it carefully. But remember, past performance is no indication of future performance.

Now, this type of program isn't new. For decades, large corporations and top CEOs have used this asset-building method. Yes, the well-informed have used tax-favored programs, but they are not just for the affluent. Anyone could take advantage of these plans. By learning a few key concepts and taking the small steps necessary, you can ensure that your goals are attainable. Indexing is a solid path to take.

I've mentioned "tax-favored" on several occasions. Let me explain. When building assets inside life insurance, if you take a loan, it is not deemed a distribution by the government since it was not a withdrawal. Thus, there are no taxes to be paid on it. However, be aware that if you lapse or cancel the policy, any gains that have been made could be taxable. There are no 10% or 25% penalties, although there could be surrender charges. But, if you just cancel the policy, you could be faced with paying taxes on the gains.

Let's make it simple.

Allow me to run an illustration for you and your team. I will show you the program's strengths and potential pitfalls. We will go over costs, expense ratios, the history of the plan, and the carrier. My goal is to provide peace of mind with your decisions.

IT'S NOT THE SIZE OF THE NEST EGG BUT RATHER THE INCOME AND THE CASH FLOW THAT NEST EGG CAN GENERATE.

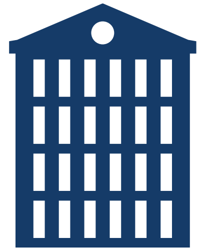
TAKING CARE OF BUSINESS

Each employer has their own situation. Their own wants and needs when it comes to retirement. Sometimes, it might make sense to start a 401k so you can include all of your employees. Yet, have special consideration for your key employees.

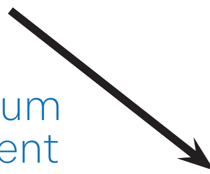
This can be accomplished by doing a Bonus 162 Executive Plan. It has no administration cost, no need for IRS (Internal Revenue Service) approval, nor any type of complicated government reporting. It is a powerful means to attract, motivate, and retain quality employees. Plus, you can provide the plan on a selective basis. Did I mention it was 100% tax deductible?

You, the employer, makes an agreement with your key employee to provide premium dollars for their life insurance plan. My favorite product to use in this example is a properly designed Indexed Universal Life policy. As the employer, you decide on the amount of premium you would like to pay. The policy is owned by the key employee, and they can even choose who their beneficiary can be.

SEE HOW IT WORKS:



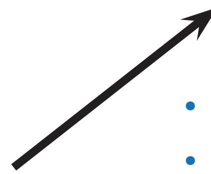
Employer



Premium payment

Insurance Company

Employee



- Policy Ownership
- Cash Value (unless restricted)
- Death Benefit

Here is the exciting part for me. You can help the key employees who mean the most to your business. Meaning, you pay a portion of the premium, and the employee pays the rest. Now, your premium will be included on the employee's W-2 so they will pay taxes on your portion. Or you can even DOUBLE BONUS the employee if you like. Meaning, you increase the portion of the premium you pay to offset the employee taxes. This makes the employee portion essentially tax-free.

With the new revision of the 7702 regulation, this could be one of the best ways to build assets. Every employer should consider this benefit for themselves as well as their top and key employees.

ASSET PROTECTION

Many assume their retirement funds are protected from creditors but depending on the type of retirement accounts and life insurance – and the state where you live – this is not necessarily the case.

Most employer-sponsored retirement plans, such as a 401(k), fall under ERISA guidelines and are protected from creditors. Non-ERISA plans such as traditional and Roth IRAs do not have the same level of creditor protection. These retirement assets are nonetheless protected under federal bankruptcy law if you file for bankruptcy.

ERISA-qualified plans may be at risk and can be seized by:

- Your ex-spouse under a qualified domestic relations order (QDRO) to the extent of your ex-spouse's interest in the benefits as a marital asset or as part of child support.
- The Internal Revenue Service, for federal income tax debts.
- The federal government, for criminal fines and penalties.
- Civil or criminal judgments, in case of your wrongdoing against the plan.

Cash value life insurance, including indexed universal life insurance, extends far beyond providing liquidity in the event of an untimely death. Often overlooked, it can offer protection against creditor claims, making it an excellent choice for asset protection.

Generally, when a creditor obtains a judgment or files for bankruptcy, the debtor's assets can be "attached" to satisfy debts. That asset is seized and liquidated, and the proceeds are applied to creditor claims. However, every state has exemption laws identifying specific asset categories that are immune or partially immune from attachment. The classic example is the "homestead exemption" protecting a debtor's primary residence. Still, life insurance policies, cash value, and death benefits are also exempt – in whole or part – in nearly every state.

It does not matter if the judgment arises from a contract claim (like an unpaid loan) or a tort action (like negligence or premises liability); the cash value will survive attachment up to the exemption amount.

The 2021 revision of the 7702 regulation allows you to fund your policy with more dollars than in the past. You must know what your state's exemption law covers.

My STORY

I have spent the last 35+ years in the Financial Services Industry transforming how people think about money. When I think back to my first real experience with money, I see a ten-year-old girl standing in the little Harveytown Store.

On this particular day, my mom needed three things. She gave me some money and sent me into the store. I might have only been ten years old, but I loved numbers and was really good with math. I also love chocolate! I quickly found the items mom needed, added up how much they cost and discovered I had enough to get a bag of Hershey kisses. I grabbed them and quickly went to the register. The cashier gave me my total, and I was devastated. I did not have enough money! I was in utter disbelief. I had carefully added up each item. The confusion was written all over my face, and the cashier could see it. People were in line behind me, so she leaned over and quietly said, "you owe tax, honey." TAX? What is tax?! The gentleman behind me handed the cashier a few coins, and I left.

Thinking back, this experience truly marked my life. On another occasion, I went with mom to the A&P Grocery store. It was "Cancer Day," and every canned good in the store was only ten cents. Our buggy wasn't just full; it was overflowing. As we approached the cashier, I asked, "do we have enough money to pay for all of this." Mom assured me that we did. I watched as she handed the cashier colored money. I had never seen money like this before, but the cashier accepted it, and we left with more groceries than I had ever seen in my life. To this day, my mother hates for me to tell this story as it was the only time in their lives that she and dad were on food stamps.

Friday is Mom's Day; wherever she wants to go and whatever she wants to do. My dad's last request was, "Take care of your mother". This particular day it was to go for Starbucks coffee and a cake pop. :)

It didn't take long for me to figure out that if I wanted things in life, I would need money to get them. I had two older sisters who worked as babysitters to earn money, but I was too young to get in on that game. So I asked my dad, "what can I do to earn some money"? We sat down at the kitchen table and made a list of chores I could do around the house: make my bed, wash the dishes, take out the trash, run the vacuum, and wash the car, to name a few. Then dad assigned a dollar value to each task. We created a chart for me to check off what I did each day that I submitted every Friday for my allowance. When I was a child, an allowance was earned, not expected; but I digress. This was exciting to me! When I found something I wanted, I would go to the list of chores and figure out what I needed to do to earn enough money to buy it.

I remember my first paycheck, aka allowance. Dad and I sat at the kitchen table, where he tallied the chores I had completed that week and then proceeded to put $2.50 on the table. I was so excited! Dad said, "when we go to church this Sunday, you should put 25 cents in the offering plate". To this day, I can see my father sitting at the kitchen table every Saturday evening, writing a check. He would take that check and place it in the inside pocket of his suit jacket. As soon as we got to church on Sunday morning, he would take an envelope from the pew in front of us and place the check inside. Later, I would watch as he placed the envelope in the offering plate as it passed by. This envelope held his tithe, 10% of his earnings that he faithfully gave back to God every time he got paid. He wanted me to do the same. At that age, I didn't fully understand why we were doing it, but I loved my dad, and if he did it, I wanted to do it too.

God honored my dad's faithfulness and has honored mine too. My dad taught me how to earn money, but my mom taught me how to be thrifty and stretch my dollar. As a child, I don't remember mom paying full price for anything! She had three kids under the age of 10 in the late 60s. Plus, she and dad agreed she would not work outside the home until the kids were out of high school. She shopped sales and clipped coupons to make ends meet. Plus, we had a garden, and every summer, she would half-runner beans, tomatoes, and freeze corn. I remember she and dad bought a full-size freezer one year. They split a side of beef with one of dad's buddies and packed that freezer full of meat wrapped in white butcher paper. Her other savings habits included depositing money each week into a Christmas Club. And whenever it came time to shop for school clothes, there were a couple of hard and fast rules. First, we were not allowed to try on anything that was dry-clean-only, much less buy it! This was considered a luxury and was not in our budget! Second, we never got to bring the clothes home on the same day we picked them out. Mom used a service called layaway, a concept that would allow her to lock in today's price for a period of time into the future. An interesting concept that once again would mark my life.

Jonda and Family

Money is absolutely necessary and affects every relationship, whether business, personal, or romantic. As kids, we had no idea if we had money or not. It wasn't something that mom and dad discussed with us. We never knew how, but there were always birthday presents and Christmas presents, and we took vacations. There was only one time I ever remember hearing my parents talk about money. To be honest, they were fighting about money in the bathroom with the door closed near the back of the house. I crouched down in the hallway outside the bathroom and listened in. I had never heard my mom raise her voice to my dad, nor did my dad raise his voice to my mom. What was happening to our happy home?! The door burst open, and my mom grabbed her purse and screamed, "I'm leaving!". As she walked past me, I grabbed her leg and pleaded, "please don't go!" Thankfully, she didn't leave. Later, I learned that mom had made a mistake in the checkbook, which created a cash flow problem. It's interesting how the events of our life shape and mold us.

*Investments are like children,
you have to be patient while they grow.*

*Family time in the
family room.*

*My Dad, My best friend and
my biggest Fan!*

As I became a mother and watched my own children go through school, I saw firsthand zero financial education in our school systems: zero...zilch! Early in my career, I was approached by Junior Achievement, who asked if I would be willing to volunteer to teach an 8-week educational course on Finance at South Point High School. Knowing how important finances are to every relationship we have as adults, I wasn't about to say no. The program was engaging and taught the students how to write a check, balance a checkbook and even buy and sell stocks.

While living in Florida, I had another opportunity with PACE Center for Girls in Jacksonville, FL, a similar program teaching these girls about all aspects of money. After moving back home to Huntington in 2015, Mountwest Community & Technical College contacted me about teaching a Budget Course as part of the school's curriculum. I will never walk away from an opportunity to provide financial education, as knowledge is power. I always say,

"If you know the rules, you can win the game!"

Recently, a local business owner sold his business and asked me for advice. At first glance, it looked like a lot of money, but the closer we looked into the legal structure of his business, and how the deal had initially been drawn up, there would be double taxation on the entire deal. Yuck! That was a message I did not want to deliver. But since the deal had not closed,

we had time to rework it. Using Business Attorneys and CPAs from our network of professionals, we worked with the buyer to restructure how the deal would be paid out, ultimately saving tens of thousands of dollars in taxes. Granted, they still paid an enormous tax bill, but it felt good knowing that because of our knowledge and expertise, it wasn't near as much as it would've been had they not worked with us. I consider that a win!

In my personal time, I love DIY (do-it-yourself) projects, crafting and repurposing furniture. I love to design on a dime and credit my mom as she instilled in me the value of a dollar.

So if you happen to see me out at Hobby Lobby with my cart running over during a 60% to 70% off sale, well, that's because I'm that person who buys things when they're on sale and stores them until I need them.

As I reflect on the events that shaped my life, it's no wonder I've spent more than 35 years in the Financial Services Industry transforming how people think about money. I truly love helping people discover financial solutions; it's who I am at my very core.

We are all placed on this planet for a purpose,

and this is most definitely mine.

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SCAN ME

"IF YOU KNOW THE RULES, YOU CAN WIN THE GAME!" - JONDA LOWE

THE NEXT STEP

A Bold Approach to a Quality Plan

JONDA LOWE

"The Next Step..." is a *"straight to the point"* book on popular qualified plans and other alternatives. A simple breakdown of the rules and comparisons is invaluable. It gives the decision-maker enough information to ask the vital question, *"What is the best course for my business?"* The book provides several chapters that allow readers to quickly define their interests and pull valuable points from each subject.

Over half of small business owners don't have a plan. Yet, recent surveys have shown that employees' number one ask of the employer is to find a way for them to have savings/retirement options at work. By design, this book brings critical information concerning the pros and cons written by one whose primary focus is helping employers implement a successful plan.

ABOUT THE AUTHOR:

I may not have met you yet, but I probably know your #1 expense. Most Americans think it's their house, but that's almost always incorrect. Taxes are a bigger expense than food, clothing and shelter combined (Source: Tax Foundation). If you have a healthy income, taxes are the greatest barrier to your financial success. We help our clients avoid the steamroller and make their money work harder. We start by talking about your hopes and dreams. I want to know what excites you, and what gets you out of bed in the morning! Once we're clear on the vision, we examine your financial picture to develop a custom, in-house plan.