

## Non-Qualified Retirement Plans

What is a Non-Qualified Retirement Plan? A Non-Qualified Retirement Plan is a systematic pre-arranged method of accumulating retirement assets that is not registered with, nor regulated by, the Internal Revenue Service. Contributions to a Non-Qualified Plan generally are not deductible until distribution.

Participation in the Plan may be on a discriminatory basis with as few as one participant. Therein lies a significant difference between it and its tax qualified counterpart. Qualified Plans have been and will continue to be popular. The tax treatment afforded Qualified Plans is generally more attractive than the taxable alternative, up to a point. It is this point where Qualified Plans may become less attractive and where the Non-Qualified alternative should be considered. This point of diminishing return continues to change with every new piece of tax legislation.

Pacific Pension & Benefit Services, Inc. monitors tax legislation, and responds quickly with programs that help you benefit from such core changes as they relate to Non-Qualified Retirement Plans. Who do these types of plans benefit?

Non-Qualified Retirement Plans are adopted by individuals representing a variety of professions, income levels, and occupations. The Qualified Retirement Plan should always be considered first. However, after all advantages of using a Qualified Plan are exhausted, or if there is a lack of comfort with the many requirements of a Qualified Plan, then the Non-Qualified alternative should be considered.

A typical scenario involves an individual who wishes to make an annual contribution in excess of the limits allowed to his or her Qualified Plan by current tax laws. If the individual still wishes to dedicate these additional funds toward his or her retirement as opposed to current consumption, a systematic plan of deferral, investment, and ultimate disposition is still required. A Non-Qualified Retirement Plan, properly designed, can serve exactly this function. Advantages of a Non-Qualified Retirement Plan Some important advantages of a Non-Qualified Retirement Plan as compared to a Qualified Plan include:

Greater Design Flexibility

Lower Administrative Costs

Vesting Schedule Optional

Additional Corporation Asset

No Reporting or Disclosure

Virtually Unlimited Contributions With the proper funding vehicle, the earnings on contributions can be free of taxes and 100% of the costs of both the plan contributions and the benefits can be recaptured. How Does One Establish a Non-Qualified Retirement Plan? The steps involved in setting up a Non-Qualified Retirement Plan are similar to those involved in establishing a Qualified Plan, with one major exception. It is not necessary to submit the plan to the IRS for approval.

After the circumstances and objectives of each situation are determined, we will design and implement an appropriate plan. There is a wide variety of financial arrangements in which a Non-Qualified Plan may be operated. PPBS can design one to fit most every situation where a need for retirement asset accumulation exists.

For additional information on Non-Qualified Plans, as well as any of your employee benefit needs, contact Pacific Pension & Benefit Services, Inc.