

Lafayette Life Retirement Services

Pension Guide



Innovative Retirement Plans *for* Small Businesses



Lafayette Life
Insurance Company

A member of Western & Southern Financial Group

DESIGN

ADMINISTRATION

FUNDING

Pension Guide



Innovative Retirement Plans *for* Small Businesses

For over 50 years, the Retirement Services team at Lafayette Life has been helping small businesses establish company-sponsored retirement plans for both its owners and employees.

We offer convenient, one-provider service for plan-design assistance, document services, administrative services, funding options and distribution planning.

Set yourself apart from the competition. Explore this exciting opportunity to grow your business by focusing on this very lucrative and expanding market.

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The Sales Process

The qualified plan market can be very lucrative. We encourage you to explore this exciting opportunity. The outline below should help you work your way through the process of developing a pension clientele.

Prospecting

- Set yourself apart from your competition
- Communicate with CPAs, successful small-business owners and other insurance agents
- Identify sources of pension prospects, such as
 - Existing clients
 - Your clients' advisors, including CPAs and attorneys
 - Other agents (*such as Property & Casualty or other life insurance agents that are not involved with the pension market*)
 - Business owners whose services you use
 - Associates in civic organizations
 - Contacts in cultural or social activities

Data Collection and Fact-Finding

- Complete a Proposal Request Form (1736A)
- Identify your client's goals and objectives
- Request information about any existing plan

The image shows the Lafayette Life Insurance Company Proposal Request Form 1736A. It is a detailed form for gathering information to create a pension proposal. The form includes sections for: Employee Information (Name, Address, Social Security Number), Business Information (Entity type, Fiscal Year, Annual Contribution, Anticipated Retirement Age), Plan Design Preferences (Traditional Defined Benefit Plan, Profit Sharing Plan, Cash Balance Plan, etc.), and a table for listing existing pension plans with columns for Plan Name, Balance, Age, and other details. It also has a section for the client's signature and contact information, and a footer with contact details for Lafayette Life.

Proposal Request Form 1736A

Proposal

- Lafayette Life prepares a customized proposal with one or more plan design options
- Pension Sales Consultant reviews the proposal with you
- Adjustments are made to the proposal, if desired
- Strategies are developed for client presentation

Presentation

- Pension Sales Consultant available to participate in webinar presentations
- Variations or additional options are reviewed with client
- Additional proposals are prepared to show other options, as desired

Installation

- Plan installation paperwork is signed and submitted to Lafayette Life
- Product applications are completed and submitted
- Trustee Manual is sent to you for delivery to your client

Ongoing Administration

- Client completes annual data request material
- Lafayette Life provides annual valuations and funding requirements, if applicable
- Lafayette Life administrator will be available to answer questions and advise you

Retirement Plan Types

Lafayette Life Retirement Services can provide assistance to your clients regarding the following retirement plans:

Defined Benefit Plans

Defined Benefit Plan

A Defined Benefit Plan is a retirement plan that provides guaranteed retirement benefits to the owners and employees of a company, provided annual premium contributions have been funded.

The plan may be funded with, but not limited to, life insurance and annuity contracts.

Fully Insured Defined Benefit Plan

A 412(e)(3) Fully Insured Defined Benefit Plan is a retirement plan that provides guaranteed retirement benefits to the owners and employees of a company, provided annual premium contributions have been funded.

The plan is funded solely with life insurance and annuities, or annuity-only contracts, offering minimum guaranteed interest rates.

Cash Balance Plan

A Cash Balance Plan is a defined benefit plan that provides benefits to participants in the form of hypothetical account balances normally stated as a dollar amount or a percentage of compensation.

Each year, eligible participants receive their benefit in the form of a pay credit and an interest credit that is added to their hypothetical account. However, the plan is still funded like a traditional defined benefit plan with funds going into a pooled account.



Defined Contribution Plans

Profit Sharing Plan

A Profit Sharing Plan is a defined contribution plan in which the employer makes discretionary contributions. A key advantage is flexibility in determining the annual contribution.

The maximum annual employer deduction for contribution is 25% of eligible compensation. There is also a maximum individual contribution limit. The individual limits are adjusted annually for cost-of-living increases.

401(k) Profit Sharing Plan

A 401(k) Profit Sharing Plan allows employees to defer a portion of their income (tax deferred) to the plan while also allowing the employer to fund a matching and/or discretionary contribution.

The salary deferrals are always 100% vested. They are limited to the lesser of 100% of the employee's compensation or the current year's dollar limit. Participants age 50 or older may make an additional "catch-up" deferral. These thresholds are adjusted annually for cost-of-living increases.

A matching contribution by the employer may be included based on the salary deferrals. The matching allocation formula varies according to the employer's funding objectives and may be discretionary. Highly compensated employees' deferrals may be limited, and retirement benefits are impacted by investment returns. 401(k) Plans also must satisfy nondiscrimination testing requirements.

Safe Harbor 401(k) Profit Sharing Plan

The Safe Harbor 401(k) Profit Sharing Plan is designed to eliminate the nondiscrimination testing imposed by traditional 401(k) Plans and allow every participant, including the owners, to defer up to the maximum limits.

In order to maintain the "safe harbor" status, the employer must make a 100% vested "safe harbor" contribution with one of the following two options: a 3% of compensation contribution to all eligible employees; or a matching formula equal to 100% of salary deferrals up to 3% of compensation and 50% of salary deferrals between 3% and 5% of compensation. Retirement benefits are impacted by investment returns.



Retirement Plan Limits | 2019

The Internal Revenue Service has announced cost-of-living adjustments to the retirement plan limits. The new limits are effective January 1, 2019.

TYPE OF LIMITATION	2018	2019
Annual Compensation Limit	\$275,000	\$280,000
Defined Benefit Annual Limit	\$220,000	\$225,000
Defined Contribution Annual Limit	\$55,000	\$56,000
401(k), 403(b), 457(b) Deferral Limit	\$18,500	\$19,000
401(k), 403(b), 457(b) Catch-Up Limit <i>(age 50)</i>	\$6,000	\$6,000
SIMPLE Contribution Limit	\$12,500	\$13,000
SIMPLE Catch-up Limit <i>(age 50)</i>	\$3,000	\$3,000
Highly Compensated Employee <i>(compensation in the prior year exceeding)</i>	\$120,000	\$125,000
Officer as Key Employee	\$175,000	\$180,000
Social Security Taxable Wage Base	\$128,400	\$132,900
SEP Minimum Compensation	\$600	\$600

Source: IRS News Release, Nov. 1, 2018.

LL-2408 (11/18)

Retirement Plan

Contribution Limits by Plan Type | 2019

Owner Age	30	35	40	45	50	55	60
Salary	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000
RETIREMENT PLAN OPTIONS							
SIMPLE Salary Deferrals	\$13,000	\$13,000	\$13,000	\$13,000	\$16,000	\$16,000	\$16,000
401(k) Salary Deferrals	\$19,000	\$19,000	\$19,000	\$19,000	\$25,000	\$25,000	\$25,000
SEP	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000
401(k) Profit Sharing Plan	\$56,000	\$56,000	\$56,000	\$56,000	\$62,000	\$62,000	\$62,000
Defined Benefit Pension Plan*	\$76,788	\$95,829	\$119,592	\$154,048	\$184,499	\$236,042	\$254,495**
Cash Balance	\$61,647	\$78,934	\$101,115	\$129,584	\$166,142	\$213,103	\$273,432
412(e) Defined Benefit Plan*	\$89,095	\$108,964	\$139,316	\$188,289	\$282,784	\$361,641	\$352,391**

* assumes retirement age of 62

** assumes retirement age of 65

Contributions are sample illustrations, and actual contributions may vary.

Contributions are calculated based upon individual census data.

Values as of 01/01/2019.

LL-2413 (12/18)

Retirement Plan Comparison Chart | 2019

Plan Type:	SEP IRA	Profit Sharing	401(k)
Lafayette Life	Yes	Yes	Yes
Key Features	Easy administration, Life insurance is not permitted; Contributions discretionary; Contributions may be deductible by employer. Employer must include eligible employees.	Tax-deferred investment; Flexibility in plan design; Contributions discretionary; Contributions may be deductible by employer.	Tax-deferred investment; Flexibility in plan design; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. Defined benefit plan sponsor can also adopt.
Contributors	Employer only	Employer only	Employee and optional Employer
Contribution Flexibility	Yes	Yes	Yes
Maximum Eligibility Requirements	Age 21 with two years of service ²	Age 21 with two years of service ²	Age 21 and one year of service
Contribution Limits ¹	Employer: 25% of each employee's compensation. Individual: The lesser of 100% of compensation or \$56,000	Employer: 25% of eligible employee compensation. Individual: The lesser of 100% of compensation or \$56,000	Employer: 25% of eligible employee compensation. Individual: The lesser of 100% of compensation or \$56,000 (including salary deferrals).
Contribution Due Date	By employer's tax filing date, including extensions.	By employer's tax filing date, including extensions.	Employee deferrals must be deposited no later than the 7th business day following the date the employee would have received the contributions (payday). Employer contribution by the tax filing date, including extensions.
Maximum Annual Salary Deferral	Not applicable	Not applicable	\$19,000
Catch-up Contrib. for Participants age 50	Not applicable	Not applicable	\$6,000
Vesting in Employer Contribution (Top Heavy)	100% immediate	May be graded up to six years	May be graded up to six years
When Established	Anytime prior to tax filing deadline, including extensions	Prior to fiscal year end	Prior to fiscal year end
Form 5500 Reporting	No	Yes	Yes

1 Compensation is limited to \$280,000 per year. The self-employed contribution limit is based on net income (gross income less the contribution and one half of the self-employment tax).

2 100% Immediate vesting is mandatory.

3 SIMPLE IRA: For any two years out of five, employer may have a lower match, but not less than 1.0%.

Safe Harbor 401(k)	SIMPLE 401(k) or SIMPLE IRA	Defined Benefit, 412(e)(3) Fully Insured Plan or Cash Balance Plan
Yes	No	Yes
Tax-deferred investment; Highly compensated employees may defer the maximum amount; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. Defined benefit plan sponsor can also adopt.	Tax-deferred investment; Contributions may be deductible by employer; Salary deferrals reduce employee's taxable income. A SIMPLE 401(k) or SIMPLE IRA must be the exclusive plan. Employee limit: 100 or fewer.	Contributions may be higher than other types of retirement plans; Generally favors older, highly compensated employees.
Employee and Employer	Employee and Employer	Employer only
Mandatory Safe Harbor contribution: Employer contribution is 3% of compensation; OR, match is 100% on the first 3% of deferrals, plus 50% on deferrals between 3% and 5% of compensation. Additional discretionary profit sharing contribution allowed.	The employer must make either a matching or non-elective contribution.	No
Age 21 and one year of service	401(k): Age 21 and one year of service IRA: Employees earning \$5,000 in current year and any two prior years	Age 21 with two years of service ²
Employer: 25% of eligible employee compensation. Individual: The lesser of 100% of compensation or \$56,000 (including salary deferrals).	Employer: 100% match on 3% of compensation ³ ; OR, a 2% employer contribution to all eligible employees. No other contribution is permitted.	Based on benefit formula. \$225,000 maximum annual benefit
Deferrals must be deposited no later than the 7th business day following the date the employee would have received contributions (payday). Employer contribution by the tax filing date, including extensions.	Salary deferrals to the SIMPLE IRA must be made within 30 days after the end of the month in which the amounts would have been payable to the employee. Employer contribution by the tax filing date, including extensions.	Defined Benefit: By employer's tax filing date, including extensions, but no later than 8½ months after plan year end. 412(e)(3) Fully Insured: Beginning of plan year.
\$19,000	\$13,000	Not applicable
\$6,000	\$3,000	Not applicable
100% vesting on safe harbor contributions. Profit Sharing contribution may be graded up to six years	100% immediate	May be graded up to six years ⁴
Prior to October 1	Prior to October 1	Prior to fiscal year end
Yes	Yes: SIMPLE 401(k) No: SIMPLE IRA	Yes

⁴ Cash balance plans are required to vest 100 percent after three years.

Life Insurance in a Qualified Plan

Why Fund a Qualified Retirement Plan with Life Insurance?

- **Self-Completing Benefit:** The death benefit helps to meet the plan's intentions in the event of death prior to retirement.
- **Buy-Sell Agreement:** Owners may use the life insurance held in the qualified plan to fund a buy-sell agreement.
- **Tax-Deductible Premiums:** The premiums are generally tax-deductible creating a cost-effective method of purchasing life insurance.
- **Income Tax Advantage at Death:** The death benefit in excess of the cash value paid to the policy beneficiary is tax free.
- **Pre-Retirement Death Benefit:** Life insurance within a qualified plan can provide additional protection to the participant's family if the participant dies prior to retirement.
- **Easily Understood Benefit:** Life insurance provides a tangible benefit, including those who may be too young to visualize retirement or those with minimal accrued benefits.
- **Transfer of Policy Ownership:** The life insurance may be transferred out of the qualified plan at retirement or termination of employment to continue coverage.
- **Reduce Personal Expenses:** Purchasing life coverage with pre-tax dollars versus post-tax dollars.
- **Reportable Income Creates Cost Basis:** The current economic benefit of a life insurance policy (PS-58 Cost) is taxed annually to the insured. This creates a cost basis that may later be used to offset income at the time of distribution from the qualified plan.

Tax savings is a primary reason to put life insurance in a qualified plan.

Let's look at the benefit of leveraging pre-tax dollars in funding life insurance in retirement plans.

Age 45 | \$402,054 Face Amount | \$11,000 Premium

Outside a Plan:	\$15,714 Earnings	Inside a Plan:	$PS\ 58 = \$615 \times .3 = \184.50
	4,714 Tax (30%)		\$265 Earnings
	\$11,000 Premium		\$80 Tax (30%)

Tax Credits

Tax Credit Available For New Plans

For qualified plans established after December 31, 2001, a tax credit may be available to employers meeting the following criteria:

- The employer has fewer than 100 employees;
- \$5,000 or more paid in compensation in the prior year;
- At least one non-highly-compensated employee is participating; and
- The sponsoring employer has not had a qualified plan within the last three years immediately before the first year to which the credit applies.

For eligible employers, the business tax credit is equal to: 50% of the employer's expenses to set up and administer the plan and to educate employees about the plan, for the first three years of the plan, up to a maximum credit of \$500 per plan year.

Note: The 50% of expenses offset by the credit are not deductible by the employer. However, expenses in excess of the credit are still deductible business expenses.

- To take the credit, get IRS form 8881, *Credit for Small Employer Pension Plan Start-up Costs*, and the instructions.
- See IRS Publication 560 or check with your tax advisor for more details.



Products and Features

Lafayette Life Retirement Services

Life Insurance

Product	Guaranteed or Simplified Issue ¹	412(e)(3) Endorsed
Whole Life		
Patriot 15 ICC14 LL-01 1404	Yes	Yes
Contender 15 ICC14 LL-01 1404	Yes	Yes
Sentinel 15 ICC14 LL-01 1404	Yes	Yes
Heritage 15 ICC14 LL-01 1404	Yes	Yes
10 Pay Life ICC14 LL-01 1404	Yes	Yes
Universal Life²		
Vanguard 09 VAN-09	Yes	No

Indexed Annuities

Product	Benefit Responsive ⁴	412(e)(3) Endorsed
Marquis Series*		
<i>Individual</i>		
Marquis Centennial 7 & 10 LL-11-FPIA-1	No	Yes
Marquis Flex 5³ FPDA-98-I	No	Yes
<i>Group⁵</i>		
Group Marquis Flex (FL & TX) DAGA-98-I	Yes	No
Group Marquis Centennial LL-12-DAG-I	Yes	No

* Please see Disclosure & Benefit Summary (form 2154-5 & 2154-10) for withdrawal charges.

1) See Special Bulletin 08-11 & 94-15.

2) Vanguard 09 is not available for new plans. Only available for existing qualified plans.

3) Marquis Flex 5 is not available for new plans. Only available for existing 412(e)(3) plans.

4) Withdrawal fees waived for distributions due to: Death; Disability; Termination of Employment; Retirement.

5) State-specific limitations and availability apply.

The above data is solely an overview of the Products offered by The Lafayette Life Insurance Company and is not meant to be inclusive of all our products. For more detailed product information, please consult the Product Guides found on the website (www.LLIC.com).

Whole Life Insurance

Issue Ages 0–85

Patriot 15

- Premiums payable to age 75 or 30 years
- Minimum Issue: \$25,000

Contender 15

- Premiums payable to age 95 or 20 years
- Minimum Issue: \$5,000, \$1,000 Qualified

Sentinel 15

- Premiums payable to age 65 or 20 years
- Minimum Issue: \$25,000
- Highest Early Cash Value

Heritage 15

- Premiums payable to age 100 or 20 years
- Minimum Issue: \$5,000, \$1,000 Qualified

10 Pay Life

- Premiums payable for 10 years
- Minimum Issue: \$25,000

Universal Life Insurance

Vanguard 09 UL

- Issue ages: 0–80
- Minimum Issue: \$10,000
- No Surrender Charges

Flexible-Premium Indexed Deferred Annuities

Marquis Centennial 7 & 10

- Issue Ages 0–85
 - Minimum Initial Premium: \$1,000
 - Withdrawal charges first 7 or 10 years
- Please see Disclosure & Benefit Summary Form.*

Marquis Flex 5 (412(e) Product)

- Issue Ages 0–85
 - Minimum Annual Premiums: \$1,000
 - Withdrawal charges first 5 years
- Please see Disclosure & Benefit Summary Form.*

Group Marquis Flex (Indexing Available)

- Benefit Responsive (*Qualified Plans Only*)
 - Minimum Annual Premiums: \$1,200
 - Withdrawal charges first 8 years
- Please see Disclosure & Benefit Summary Form.*
- FL and TX only

Group Marquis Centennial (Indexing Available)

- Indexing Available
 - Benefit Responsive (*Qualified Plans Only*)
 - Minimum Premiums: Initial \$1,000, Subsequent \$100
 - Withdrawal charges for 10 years
- Please see Disclosure & Benefit Summary Form.*

Retirement Services on the Web

E-opportunities

Where help is just a click away!

Whatever your time zone or personal work schedule — log on to the Lafayette Life website, and you will have access to full-scope Retirement Services business information 24 hours a day.

Retirement Services Online

Begin by logging on to Lafayette Life's website at www.LLIC.com. The menu includes a Retirement Services icon. Select this icon, and the Retirement Services page provides you with up-to-date Retirement Plan information; including values, PIR, PS-58, Schedule A and more. You will also have access to:



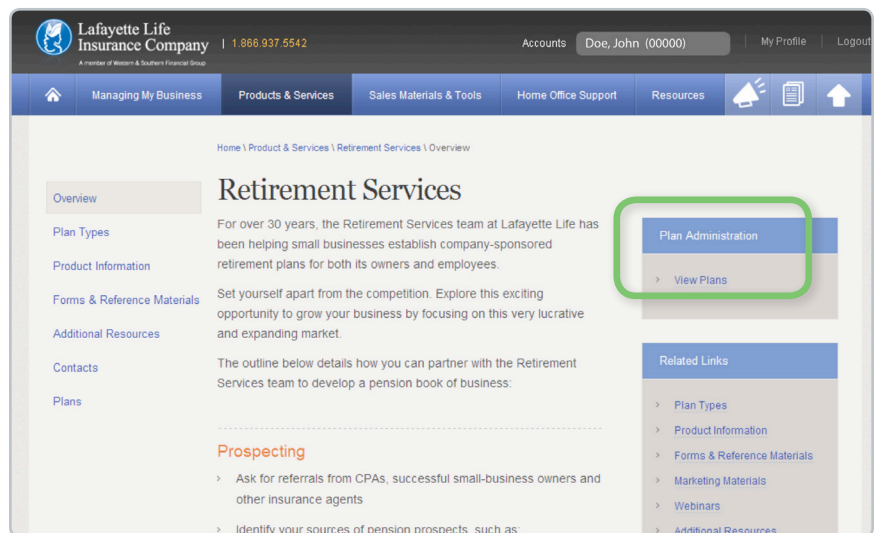
Agent Home

Plan Reference Material

- Proposal Request Form
- Plan Installation Packet
- Plan Services and Fee Agreement
- Plan Design and Educational Materials

Plus access to...

- Sales Material
- Applications and Service forms
- Favorable underwriting program bulletins
- Archived webinars and articles



Retirement Services

Visit us at www.LLIC.com

- Select the Retirement Services icon
- Select View Plans to access Retirement Plan information

See the [Agent Guide to the Retirement Services Web Pages](#) (LL-2689) for more details!

Lafayette Life Retirement Services

Marketing and Sales Materials

Grow your pension book of business with the help of Lafayette Life's Marketing Materials! From product sheets and client brochures, to flyers personalized with your information, we have the marketing materials you and your clients need.



Lafayette Life Marketing Kit



Personalized Prospecting Flyers

Get exceptional service by calling us directly!

To order any of the materials listed above, contact your Retirement Services team at 800.555.6048, or visit our website www.LLIC.com.



Brochures and Flyers



Product Materials



Fact Sheets / Contribution Charts



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DESIGN

ADMINISTRATION

FUNDING

The Lafayette Life Insurance Company does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Lafayette Life cannot guarantee that the information herein is accurate, complete, or timely. Lafayette Life makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Please consult an attorney or tax professional regarding your specific situation.

The Lafayette Life Insurance Company provides services to pension plans as outlined in a separate Administrative Services Agreement, and issues life insurance and annuity products that may be used as funding options. This material is for informational purposes only. Lafayette Life does not serve as plan administrator or fiduciary, nor does Lafayette Life or its representatives provide ERISA, legal or tax advice. Your personal or legal tax advisors should always be consulted and relied upon for advice.

The Lafayette Life Insurance Company operates in D.C. and all states except NY.