



# **ABC RANCH** **RETIREMENT PLAN** **CASE STUDY**

Our client was a 63-year old ranch owner, who was getting ready to retire and hoped to be able to pass the family ranch onto his children. He knew he needed money for retirement and came to us for help finding the best way to accomplish both goals.







## Challenges

The client faced two challenges:

1. He needed to accumulate enough money for retirement over a short period of time because he had been putting all of his money into the business and had not saved for retirement; and
2. He needed to generate retirement income without having to sell the ranch so he could pass it to his children

## Solution

The solution was a fully-insured defined benefit pension plan also known as a 412(e)(3) plan! Other options, such as a SEP IRA or Solo 401(k) would not enable him to build sufficient funds to meet his retirement needs in such a short time frame.

A 412(e)(3) plan addressed both of the client's challenges. A 412(e)(3) plan works well for clients who are close to retirement age but have insufficient retirement savings, because they can be fully funded in 3-5 years.

Our client's business was mature, so he was able to divert money from his business to save for retirement. As a result, he would not have to sell the ranch in order to generate money for retirement. In addition, contributions to a qualified retirement plan are tax deductible and the benefit in a 412(e)(3) plan is fully guaranteed.

Our client made tax-deductible contributions to his plan for four years ranging from \$75,000 to \$156,000 each year; much more than he could have contributed to a SEP IRA or Solo 401(k) plan. When he was ready to retire at age 67, he had accumulated a total of \$463,000 for his retirement, which he rolled into an IRA. In the alternative, he could have taken a guaranteed monthly benefit of \$2,902.49.

Either way, our client was able to retire with peace of mind knowing he had enough money for a comfortable retirement without having to sell his ranch, which he was able to pass to his children.



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