



Small-business retirement plans

Small business? Big opportunity!

Allianz Life Insurance Company of North America



Small business, big rewards

As a small-business owner you've taken some risks. Don't miss out on the retirement rewards.

As the owner of a small business, you've assumed the risk of going it alone. But while going into business can be financially risky, going into retirement doesn't have to be.

There are several retirement plans designed specifically for small-business owners like you ... so you can focus on your business today and reap the retirement rewards tomorrow.

When it comes to your retirement, you don't have to go it alone. Take the first step today and learn more about which plan may be right for you.

Which plan is right for you?

As a small-business owner, you don't expect a gold watch when you retire – but should still expect to enjoy your golden years. With a little planning (and with the right plan) you and your financial professional can help you turn your successful business into a successful retirement.

There are several tax-advantaged plans that may help you save for retirement, while potentially reducing your current tax burden. Which of these best suits your needs depends in part on what your goals are, and on how many employees your business has. Among the solutions you may consider are:

- **Individual 401(k)**
- **Simplified Employee Pension (SEP) plan**
- **One-person defined benefit plan**
- **Savings Incentive Match Plan for Employees (SIMPLE)**

Each of the plans has unique benefits and limitations. Work with your financial professional to determine which plan is best for you.

Actively managing your retirement assets

While you're working

If you've already accumulated savings from other workplace retirement plans, those dollars can be rolled directly into a SEP, an individual 401(k), or a one-person defined benefit plan (if the receiving plan permits it). Combining all retirement plan assets into your current company plan offers these advantages:

- More efficient management of assets – it is easier to track all of your investments if they are under one roof.
- Less paperwork – you don't have to receive statements and documentation from a variety of sources.
- Better control of your future – managing your workplace-based retirement savings in a single account may make it easier for you to determine where you stand and helps you implement changes to your investments as needed.

At retirement

Don't let concerns about what happens to your workplace savings plan at retirement affect your decision. When that time comes, you typically have complete flexibility to move assets from the workplace savings plan you created to an IRA. This allows you to:

- Maintain control over your retirement assets, including significant flexibility in choosing how to invest the money.
- Convert your retirement savings to a Roth IRA (depending on your eligibility) with the potential for tax-free withdrawals at retirement and eliminate mandatory distributions.
- Provide your beneficiary with flexible distribution options.

The plans at a glance

Features	Individual 401(k)	SEP IRA	One-person defined benefit	SIMPLE IRA
Primary feature	Higher contribution limits with minimal administration	No reporting requirements with minimal administration	Substantially higher contributions allowed than other retirement plans	Employees can contribute to their own retirement savings
Who contributes?	Employee: Contributions via salary reduction Employer: Discretionary annual contributions	Employee: None Employer: Discretionary annual contributions	Employee: None Employer: Mandatory annual contributions	Employee: Contributions via salary reduction Employer: Mandatory annual contributions
Set-up and administration	Establish with a third-party administrator; IRS Form 5500 may be required	Establish with IRS Form 5305-SEP; No annual filing required	Establish with a third-party administrator; IRS Form 5500 may be required	Establish with IRS Form 5304-SIMPLE; No annual filing required
2008 contribution limits	Employer contribution up to 25% of compensation and employee salary deferrals of up to \$15,500 (\$20,500 for employees 50+). Total plan contributions per participant cannot exceed \$46,000 in 2008 (\$51,000 if age 50+).	Employer contribution of up to 25% of compensation for each participant, not to exceed \$46,000.	Contribution determined annually by an actuary. See chart inside for contribution illustration.	Employee can make an elective deferral of up to \$10,500 (\$13,000 for employees 50+), limited to 100% of compensation. Employer must make either: 3%-of-compensation match to the employees who contribute, or 2%-of-compensation match to all eligible employees whether they contribute or not.
Minimum employee coverage requirements	Generally, must be available to owner(s) and spouse(s) who work at least 1,000 hours per year. Business cannot adopt an individual 401(k) plan if there are any full-time employees other than the owner(s) and spouse(s).	Generally, must be available to all employees who are at least 21 years old AND have worked for the employer for three of the last five years AND have earned income of \$500 (for 2008).	Generally, must be available to all employees who are at least 21 years old AND work at least 1,000 hours per year. Allianz cannot accept the plan unless the owner is sole full-time employee.	Generally, must be available to all employees who have earned income of at least \$5,000 in any prior two years and are reasonably expected to earn at least \$5,000 in the current year.
Deadline for establishing the plan	December 31, or fiscal year end	Business tax filing deadline (plus extensions), or personal tax filing deadline for sole proprietor (plus extensions).	December 31, or fiscal year end	October 1

Because of how a self-employed person's compensation is defined, as a self-employed business owner, you use a special formula to calculate the contribution to your account.

For example, to calculate the maximum contribution to an individual 401(k) or SEP (typically 25%), a sole proprietor or partner would take net income less $\frac{1}{2}$ self-employment tax, times 20%. Your tax advisor can help you determine the maximum contribution in your specific situation.

Individual 401(k)

An individual 401(k) plan is similar to those sponsored by larger companies, but offers a manageable level of administration. Significant contributions can be made to the plan, which is designed for companies where the business owner(s) and spouse(s) are the only eligible employees.

An individual 401(k) offers:

- Greater contribution limits compared to other plans
- Flexibility (annual contributions are not required)
- Limited reporting requirements and simplified administration
- Tax-deductible contributions and tax-deferred growth
- An option to exclude part-time employees who work fewer than 1,000 hours per year

An individual 401(k) may be suitable for:

- Small businesses with no full-time employees other than business owner(s) and spouse(s)
- “S” and “C” corporations
- Sole proprietorships
- Partnerships
- Limited liability companies

Contribution limits and administration

In 2008, an individual 401(k) plan allows for a business contribution of up to 25% of compensation and employee salary deferrals of up to \$15,500 (\$20,500 for employees age 50 and older). Total plan contributions per participant cannot exceed \$46,000 in 2008 (\$51,000 if age 50 or older).

An individual 401(k) plan must be established through a third-party administrator, and IRS Form 5500 must be filed when plan assets exceed \$250,000 or at plan termination. The plan must be established by December 31st, or by the end of the business’ fiscal year, whichever comes first.

Here’s an example of how an individual 401(k) might work.

Brenda Blake is a successful real estate agent, supported in her job by her husband, Frank, who takes care of the books. Brenda pays herself \$100,000 in salary per year, and Frank earns another \$60,000 for his work. Brenda also hires college students to do part-time work, but none of the students puts in more than 10-15 hours a week. Brenda and Frank need to build their retirement savings quickly. Brenda chooses an individual 401(k), which allows her to:

- Contribute \$40,500 to her plan (with a SEP, her contribution would have been limited to \$25,000).
- Make contributions for Frank as well, as he is a full-time employee.
- Avoid any requirement to make retirement plan contributions for the college students who work part-time.

This example is shown for illustrative purposes only and does not represent actual Allianz clients.

Simplified Employee Pension (SEP)

As the name implies, a Simplified Employee Pension (SEP) requires minimal administration and paperwork. A SEP can give you an effective way to accumulate tax-deferred retirement savings while offering your employees a competitive retirement plan. The contribution limits for SEPs have increased in recent years, making them even more attractive to small businesses.

A SEP plan offers:

- Large contribution limits (up to \$46,000 in 2008)
- Flexibility (there are no annual contribution requirements)
- Minimal administration and no reporting requirements
- Tax-deductible contributions and tax-deferred growth
- A desirable retirement benefit to help attract and retain employees
- Employee-selected SEP IRAs
- The option to exclude certain employees

A SEP may be suitable for:

- “S” and “C” corporations
- Sole proprietorships
- Partnerships
- Nonprofit organizations
- Government entities
- Limited liability companies

Contribution limits and administration

In 2008, the maximum contribution for each participant in a SEP is 25% of compensation, not to exceed \$46,000.

Administration is simple: You need only complete IRS Form 5305-SEP to establish the plan, and no annual employer tax filing is required.

The deadline for establishing a SEP is the business tax filing deadline (plus extensions) or, if you're a sole proprietor, the same as your personal tax-filing deadline (plus extensions).

Here's an example of how a SEP might work.

Susan Martin owns a small but profitable pet shop with six other employees. She is concerned about building a larger retirement nest egg for herself, and also wants to create an additional benefit for her hard-working employees. Susan determines that a SEP will provide her with exactly what she needs. In particular, Susan feels the SEP works for her company because:

- It gives her the flexibility to alter contribution percentages each year, so she can adjust it based on her company's annual cash flow situation.
- It allows her to reduce her tax liability by making tax-deductible contributions to the plan.
- Most important to Susan, it gives her the opportunity to greatly increase her retirement savings by putting thousands of dollars into her own retirement plan this year.
- Susan can reward long-term employees by adding to their retirement savings.
- It's easy. The SEP is much simpler than other qualified plans that require complex testing and reporting.
- It's cost-effective since she's not spending valuable resources on extensive paperwork and bookkeeping.

This example is shown for illustrative purposes only and does not represent actual Allianz clients.

One-person defined benefit plan

A one-person defined benefit plan is a qualified retirement plan in which annual contributions are made to fund a chosen level of retirement income at a predetermined retirement date.

An actuary must evaluate the plan annually to determine the required contribution based on a variety of factors, including investment performance, the participant's age, and his or her compensation. While this plan is more expensive to set up and administer, it does allow for the highest contributions of all plans highlighted in this brochure.

A one-person defined benefit plan offers:

- Substantially higher contributions than other retirement plans
- Tax-deductible contributions and tax-deferred growth

Suitable candidates for a one-person defined benefit plan include:

- Owner-only businesses with no full-time employees (this is required)
- Plan participant is over age 45
- Participant has at least \$50,000 per year to contribute to the plan, and at least \$75,000 in annual compensation

Contribution limits and administration

An actuary must review your plan annually and determine the required contribution. Contribution requirements may vary every year, depending on investment performance, the participant's age, and his or her compensation.

The chart below approximates the maximum initial plan contribution for an owner of various ages and at various annual compensation levels who plans to retire at age 65.

Maximum contribution limits for 2008					
Annual compensation ¹	\$75,000	\$100,000	\$125,000	\$150,000	\$175,000
Age					
45	\$19,700	\$26,300	\$32,900	\$39,500	\$46,100
50	\$37,600	\$50,100	\$62,700	\$75,200	\$87,800
55	\$86,600	\$115,500	\$144,400	\$149,600	\$149,600
60	\$127,800	\$157,700	\$157,700	\$157,700	\$157,700

¹ Assumes W2 salary, and corporation has sufficient other income to make the defined benefit contributions
Source: Dedicated Defined Benefit Services, 2/2008.

A one-person defined benefit plan must be established through a third-party administrator, and requires that IRS Form 5500 be filed every year. The deadline for establishing this plan is December 31, or the end of the business' fiscal year, whichever comes first.

Here's an example of how a one-person defined benefit plan might work.

Lance Billings is a consultant in the construction industry. He plans to work another 10 years, up to his 60th birthday. Since his wife, Deidre, makes a comparable salary in her job, they are able to save a significant portion of their income. They try to put away as much as possible in tax-deferred savings, but are limited by traditional defined contribution plans. Lance has decided that a one-person defined benefit plan will give them what they are looking for:

- Maximum contributions to a tax-efficient retirement plan
- Effectively deferring current income by contributing more to a defined benefit plan
- Building a nest egg that will provide income for Lance and Deidre in retirement

This example is shown for illustrative purposes only and does not represent actual Allianz clients.

Savings Incentive Match Plan for Employees (SIMPLE)

A SIMPLE is an IRA-based retirement plan that is largely funded with employee contributions from their salaries, with a modest employer match. In many ways, a SIMPLE IRA resembles a 401(k), but it's much easier and less expensive to administer than qualified plans subject to ERISA (Employee Retirement Income Security Act). A SIMPLE IRA offers employees higher contribution limits than a traditional IRA, and requires minimal employer contributions.

A SIMPLE IRA offers:

- Higher contribution limits for employees than those permitted by traditional IRAs
- Minimal employer contribution requirements
- Minimal administration and no reporting requirements
- Tax-deductible contributions and tax-deferred growth
- A desirable retirement benefit to help attract and retain employees
- Employee-selected SIMPLE IRAs
- The option to exclude certain employees

Suitable candidates for a SIMPLE IRA include:

- Business owners with 100 or fewer employees who make more than \$5,000 per year and have no retirement plan in place

Contribution limits and administration

- In 2008, an employee can make an elective deferral of \$10,500 (\$13,000 if age 50 and older), limited to 100% of compensation.
- The employer must then make either:
 - A 3%-of-compensation match to the employees who contribute, or
 - A 2%-of-compensation contribution to all eligible employees whether or not they contribute

It's easy to establish a SIMPLE IRA: Just complete IRS Form 5304-SIMPLE; no annual employer tax filing is required. The deadline for establishing this plan is October 1.

Here's an example of how a SIMPLE IRA might work.

Jose and Maria Martinez own a small landscape firm with four other employees. They don't want the expense of making large contributions for their employees but they would like to provide a small benefit as well as save for their own retirement. Jose and Maria decide to establish a SIMPLE IRA because:

- They can contribute significantly to their own retirement savings. Maria can contribute \$10,500 to her SIMPLE IRA and since Jose is age 50, he can contribute \$13,000 to his SIMPLE IRA.
- A SIMPLE IRA allows Jose and Maria to make a smaller contribution for their employees even though they make a larger contribution (through salary deferral) to their own SIMPLE IRAs. To encourage their employees to contribute to their own account, they offer to match employee contributions up to 3% of pay.
- They can reward longer term employees and exclude new employees from the plan by selecting a 2-years-of-service requirement for their SIMPLE IRA.
- It's easy. Jose and Maria can establish a SIMPLE IRA by completing IRS Form 5304-SIMPLE. They do not need the assistance of a third-party administrator.

This example is shown for illustrative purposes only and does not represent actual Allianz clients.

You've taken the business risk. Don't miss the retirement rewards.
Call your financial professional today.

This document is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America, its affiliated companies, and their representatives do not give legal or tax advice. **You are encouraged to consult your tax advisor or attorney.**

Issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297.

Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit
Not insured by any federal government agency or NCUA/NCUSIF

www.allianzlife.com

Allianz Life Insurance
Company of North America
5701 Golden Hills Drive
Minneapolis, MN 55416-1297

(R-4/2008)