

Advantages of a Defined Benefit Pension Plan

1. Annual contributions can exceed 25% of annual compensation.
2. A benefit can be based on all years of service, even years prior to the adoption of the plan.
3. Once an adequately high average compensation has been established (based on a consecutive 3 year period, including years as a business owner prior to the adoption of the plan), compensation can decrease without having to decrease the contribution.
4. If a spouse helps out with the business, but has not been paid as an employee, a benefit can be funded for the spouse by "formally" treating the spouse as an employee.