



Defined Benefit/Defined Contribution Combination “Carve-out” Plan

A “Carve-Out” Plan is a two plan benefit program which allows plan sponsors to take advantage of the best features in both a defined benefit and a defined contribution plan. The two plans work together to provide the high deductions and benefits of a defined benefit plan for the sponsor and a select group while benefiting the remaining employees at a lower cost in the defined contribution plan.

Key Plan Features and Commitments

Plan Features

- Allows for large tax deductions and rapid accumulation of assets in a short period.
- Requires 40% of the eligible participants benefit in the defined benefit plan.
- Ideal for older business owners with mixed employee demographics who have stable cash flows who wish to defer taxation.

Plan Sponsor Commitments

- The plan is generally required to be sponsored for three to five years.
- Contributions have some flexibility but are required on an annual basis.
- Plan sponsors must immediately notify their plan consultant of staffing changes.
- Plan requires annual certification by an enrolled actuary (included in APC fees).
- May require government Pension Benefit Guaranty Corporation premium payments.

Sample Combined Plan Allocation

Defined Benefit Plan

Participant	Age	Compensation	Benefit/Deduction
Owner	58	\$265,000	\$203,000
Employee #1	43	\$51,000	\$10,000

Defined Contribution Plan

Participant	Age	Compensation	Benefit/Deduction
Employee #2	24	\$25,000	\$1,875
Employee #3	30	\$38,000	\$2,850
Employee #4	35	\$42,000	\$3,150