



# Defined Benefit/Defined Contribution Combination “Floor-Offset” Plan

A “Floor-Offset” 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 while benefiting the sponsor and remaining employees in the defined contribution plan.

## Key Plan Highlights and Commitments

### Highlights

- Allows for large tax deductions and rapid accumulation of assets in a short period.
- Ideal for older business owners who have stable cash flows.

### Commitments

- The plan is generally required to be sponsored for three to five years.
- Defined Benefit contributions have some flexibility but are required on an annual basis.
- Defined contribution plan generally requires a 6%-7.5% contribution for all participants.
- 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*

### Defined Contribution Plan

Participant	Age	Compensation	Benefit/Deduction
Owner	58	\$265,000	\$19,875
Employee #1	24	\$25,000	\$1,875
Employee #2	30	\$38,000	\$2,850
Employee #3	35	\$42,000	\$3,150
Employee #4	43	\$51,000	\$3,825

\*Reflects the contribution available for a PBGC covered plan. Plans not covered by PBGC may have additional limitations