

Defined Benefit Plans for Physicians, Dentists and Small Medical Practices

Defined Benefit and Cash Balance Retirement Plans allow high income self-employed doctors and owners of small medical practices to make the largest IRS approved tax-deductible contributions each year, often \$150,000 or more.



Advantages of Defined Benefit and Cash Balance Plans for Independent Doctors and Small Medical Practices

1 These IRS-approved qualified plans provide for the largest annual contributions to retirement plans, often exceeding \$150,000 annually on behalf of the physician.

2 All contributions and fees for these plans are tax deductible in the year they are paid.

3 Starting as late as age 52, a physician earning \$265,000 can accumulate \$2.7 million in 10 years.

MedChi Insurance Agency, Inc. has partnered with Onorato Financial Group (OFG) to provide financial and pension consulting for physicians, dentists and small medical practices. We have a unique plan design that works best for the solo practitioner or doctor with spouse or family practices. When a medical practice includes common law employees, we recommend a design which combines a Cash Balance Plan with a Safe Harbor 401(k)/Profit Sharing Plan.



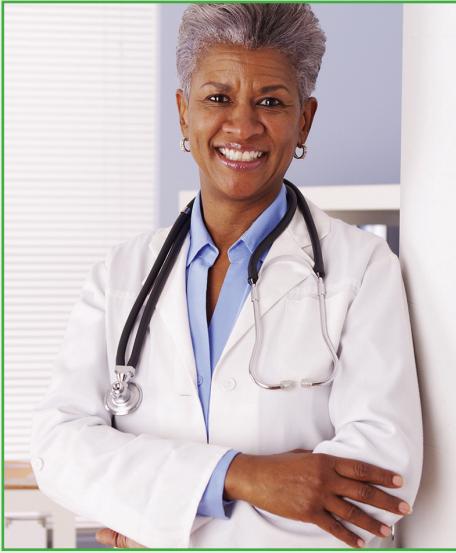
Doctor Smith, age 52, is an independent ER doctor with a C-corporation. He pays himself \$350,000 in W-2 salary annually. He is looking for the maximum tax deduction and thinks he can sustain this level of income for the next 5-10 years.

Annual Earnings
\$350,000

Maximum Defined Benefit + 401(k) Contribution for 2019
\$227,300 | Contribution To Db Plan: \$185,500 | Contribution To 401(k): \$41,800

Estimated 2019 Tax Savings
\$84,101 | Combined Marginal Tax Rate Of 37%

Defined Benefit Accumulation At Age 62
\$2.73 MILLION | 10 Years, 5-7% Rate Of Return



Doctor Brown has an Internal Medicine practice with 4 employees. She pays herself \$280,000 in W-2 and wants to maximize her own tax savings, while controlling the cost of employee

Solution

Cash Balance Plan + Safe Harbor 401(k) Profit Sharing Plan

Total CB + 401(K) Contribution For Owner

\$210,375

Total Contribution For 4 Employees

\$14,355

Estimated 2019 Tax Savings

\$83,150 | Combined Marginal Tax Rate Of 37%

93% of the contribution will go toward Owner's retirement

Special Considerations for Physicians and Small Medical Practices

- 1** The older the physician, generally, the higher the contribution. Most physicians begin their practices with school debt and incur high expenses to set up a practice. As practices mature and physicians are older— 45+ —many have the excess cash flow to support high contributions and need the tax deductions.
- 2** Doctors who are employed by hospitals or research centers generally will participate in a retirement plan through the institution. However, many of them have side income from independent research studies, serving as expert witnesses, sitting on board of directors, etc. This secondary income source may not be needed to maintain life style and can be used to fund a defined benefit plan and reduce the tax liability.
- 3** Doctors who work as locum tenens, serving temporarily in hospitals or other locations, often receive high self-employment income for these engagements and have few work-related expenses. Some doctors choose to do this as a way of semi-retiring. Generally, the net profit from this income can be used to fund a defined benefit plan if it isn't needed for cash flow.
- 4** If the physician owner of a medical practice adds a spouse who works in the business in some capacity, this could increase the total contribution for their family in a situation where otherwise, the doctor would have maxed out with only his or her own contribution.



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