

The Advantages of Section 79 Plans

Section 79 Plans, through cash value life insurance, provide significant current tax benefits, tax-free growth of the policy's cash value, tax-free death benefit to beneficiaries on a premature death and ultimately tax-free income on retirement distributions. Section 79 Plans can be stacked on top of existing pension and 401(k) plans or stand on their own. A key to the power of the Section 79 Plans, unlike qualified plans, is that virtually all the contribution goes to the business owner and key selected employees.

Other key advantages of Section 79 Plans are:

- All contributions are 100% tax deductible to the corporation (must file taxes on a C-Corp basis)
- The amount reportable as income to the participant is limited to the cost of the deemed death benefit and the permanent insurance, which averages 65% of the total premium
- Typically, the plan runs in 5-year premium cycles that funds both lifetime protection and tax-free distributions
- Plan provides a tax-free death benefit payable to the beneficiary on a premature death
- The insurance policy is owned by the participant and both the cash value and death benefit are protected against creditors
- The cash value grows tax-deferred within the indexed life insurance policy providing interest rate floors and caps
- The cash value provides tax-free retirement income through policy withdrawals and policy loans
- The policy can be owned by an insurance trust for estate planning purposes
- The plan is flexible as to the design for each participant



For more information, contact:

