

PLP

PENSION LIQUIDITY PLAN

Presented by



[GET FURTHER DETAILS](#)

Requirements

- Source of Funds that can be used:
 - **401(a): Pension, Profit Sharing, ESOPS...**
 - **401(k) Retirement Plan**
 - **403(b) “Teachers’ Annuities”**
 - **457 State, County & City**
(government only)
 - **IRAs**
 - **Traditional IRAs**
 - **Rollover IRAs**
 - **SEPs, SIMPLEs, & Roth IRAs**
 - **EXCEPT** Inherited Non-spouse IRAs

More Requirements



- Have already or Will Terminate Employment with Employer
- Have Greater than \$50,000 in Eligible Accounts

Solving a \$15,000 Tax Problem

Married, Joint, no dependants

Before Distribution + Distribution = After Distribution

	Before Distribution	+	Distribution	=	After Distribution
Wages	\$50,000		0		\$50,000
Distribution	0		50,000		50,000
Total	50,000		50,000		100,000
Taxable Inc	33,600		50,000		83,600
Income Tax	4,314		9,922(1)		14,236
Pre 59 ½ 10% Penalty	0		5,000		5,000
Total Tax	4,314		14,922(1)		19,236

(1) Incremental Taxes

Solving a \$96,000 Tax Problem

Married, Joint, no dependants

Before Distribution + Distribution = After Distribution

	Before Distribution	+	Distribution	=	After Distribution
Wages	\$50,000		0		\$50,000
Distribution	0		250,000		250,000
Total	50,000		250,000		300,000
Taxable Inc	33,600		250,000		287,824
Income Tax	4,314		71,259(2)		75,573
Pre 59 ½ 10% Penalty	0		25,000		25,000
Total Tax	4,314		96,259(2)		100,573

(2) Incremental Taxes

-Step 1- INCORPORATE

**“C”
Corp.**

- A Corporation because of ERISA § 407 Requires Stock.
- A “C” Corp. Because Sole Proprietors, Partners and “S” Corp. Shareholders are Excluded by IRC § 4975(f)(6) and ERISA § 408(d).
- LLC Members are Partners under the Code and do not have stock as required under ERISA

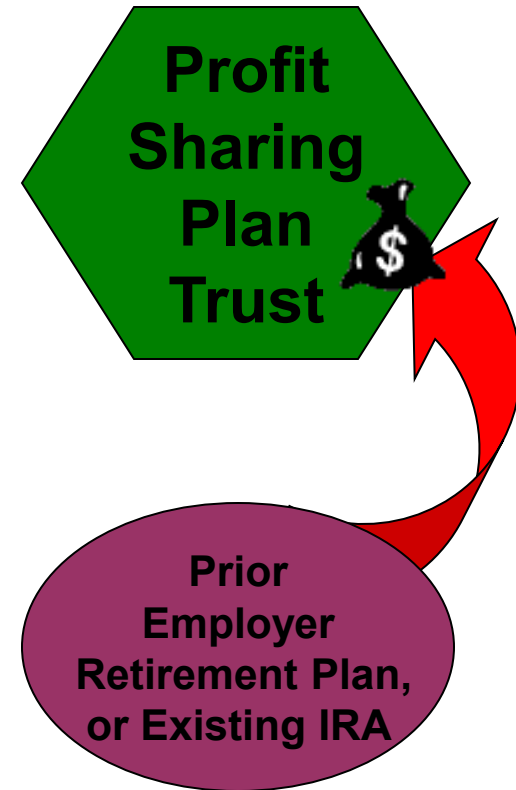
-Step 2- The Plan



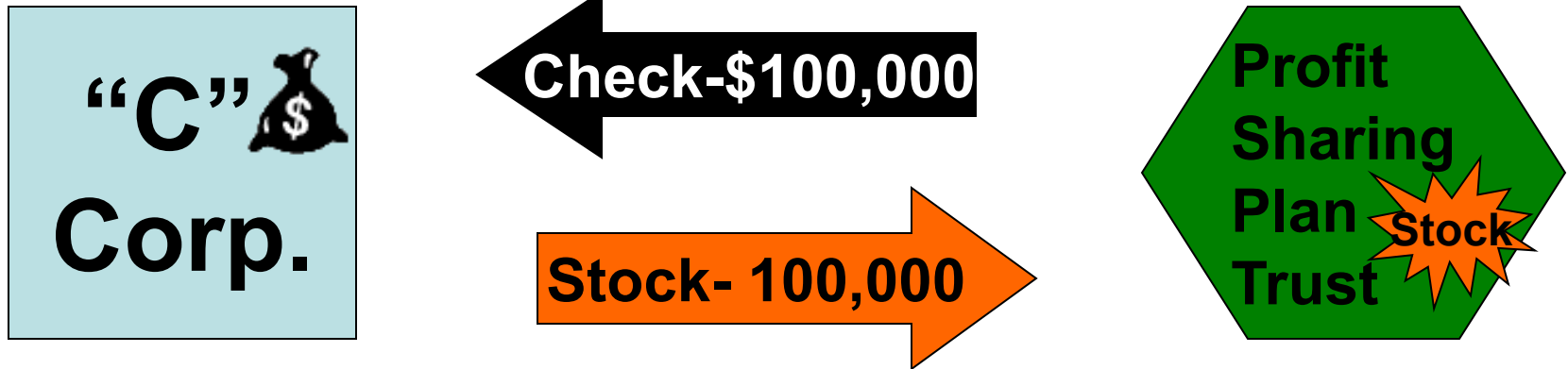
**A Profit Sharing Plan with
Enabling Language.**

-Step 3- the Rollover

**“C”
Corp.**



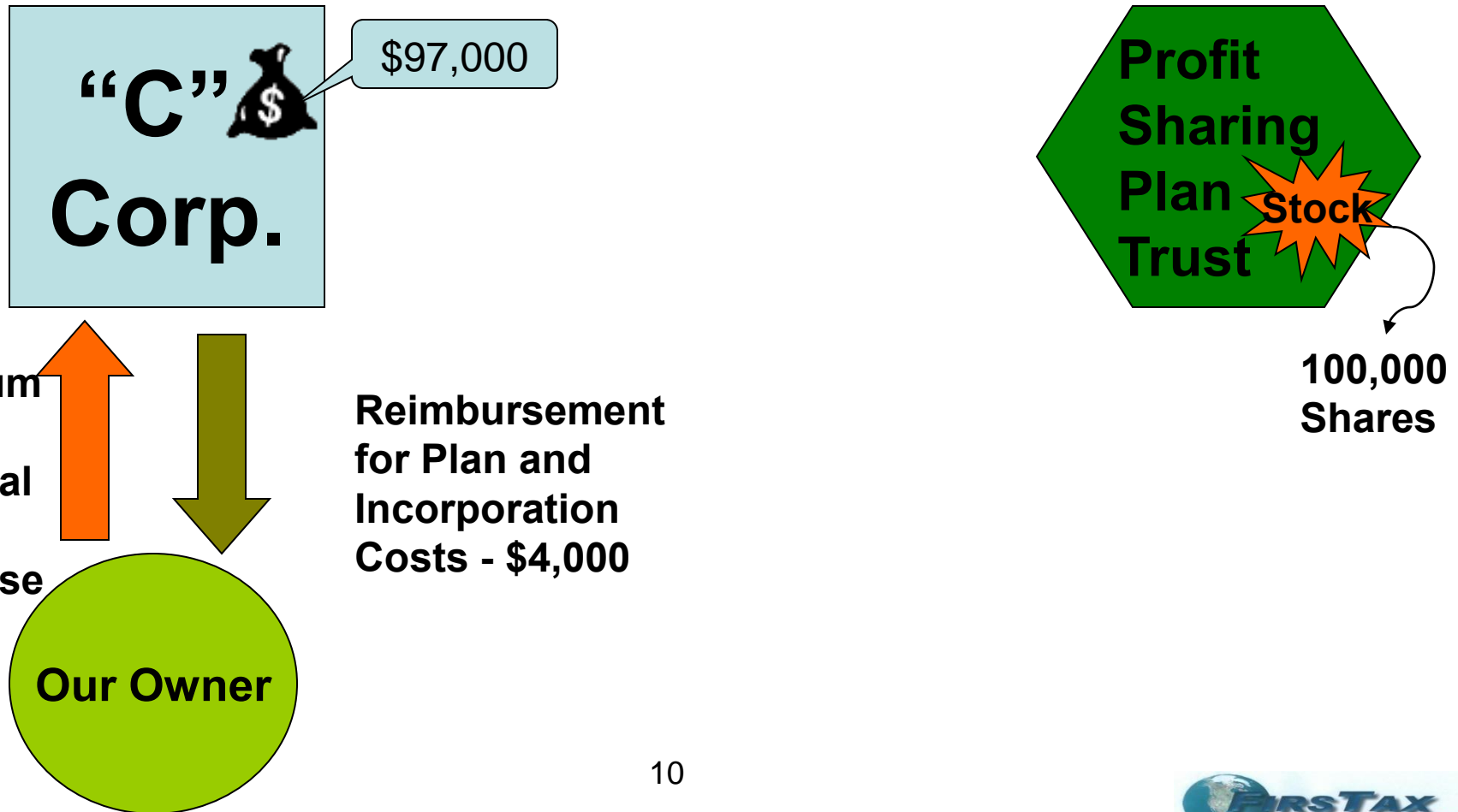
-Step 4- Funding



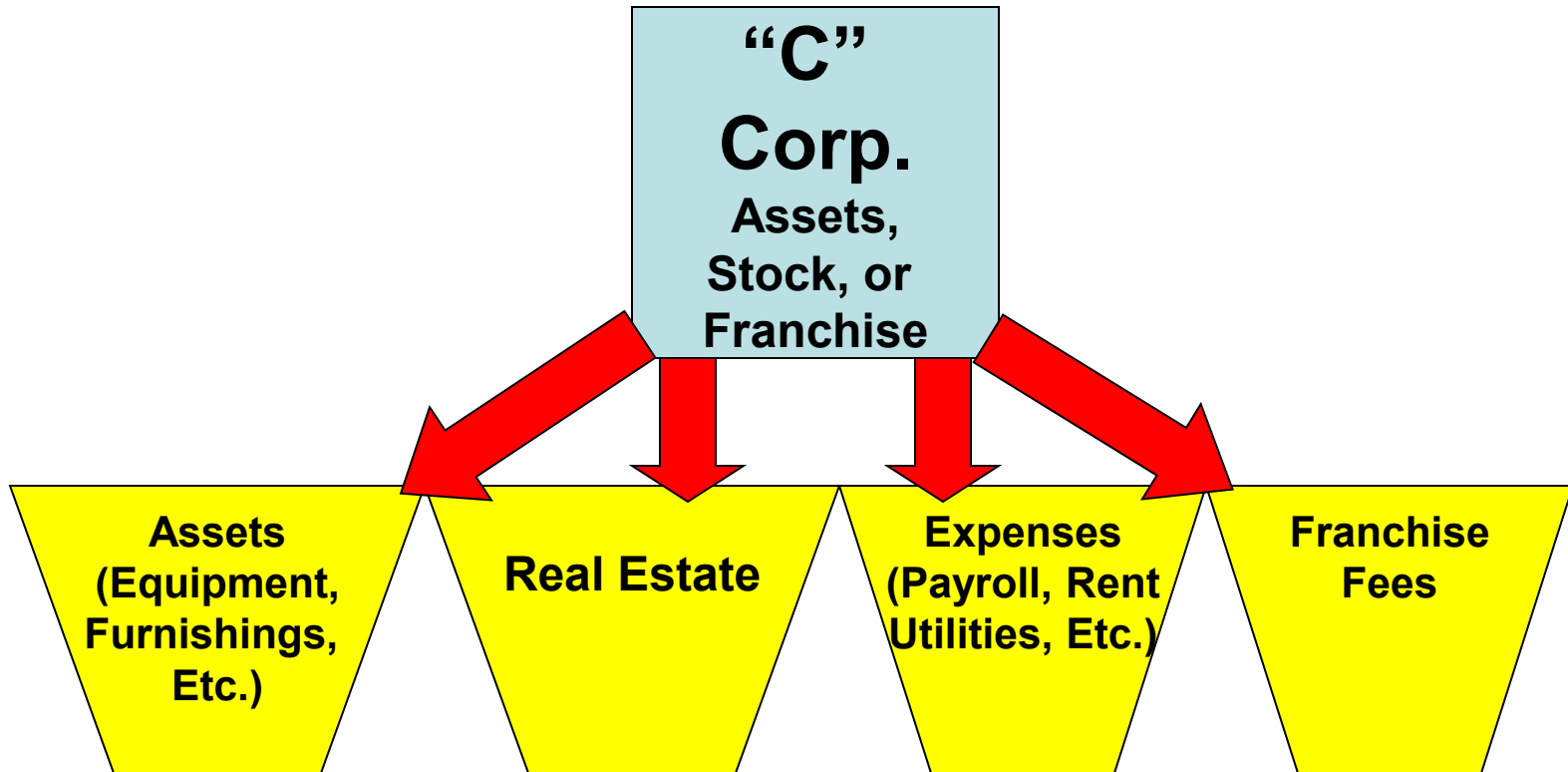
Advantages:

**Company is Cash
Rich & Debt Free**

100,000 Shares @ \$1 per Share



-Step 5- Asset Purchase



Startup Fees

- Cost of Incorporation & Plan Setup Fee
\$4,000
 - \$500 Tax Credit available if there is at least 1 Non-Highly Compensated Employee.
- \$125 IRS Filing Fee
 - Waived if there is at least 1 Non-Highly Compensated Employee.

Annual Fees

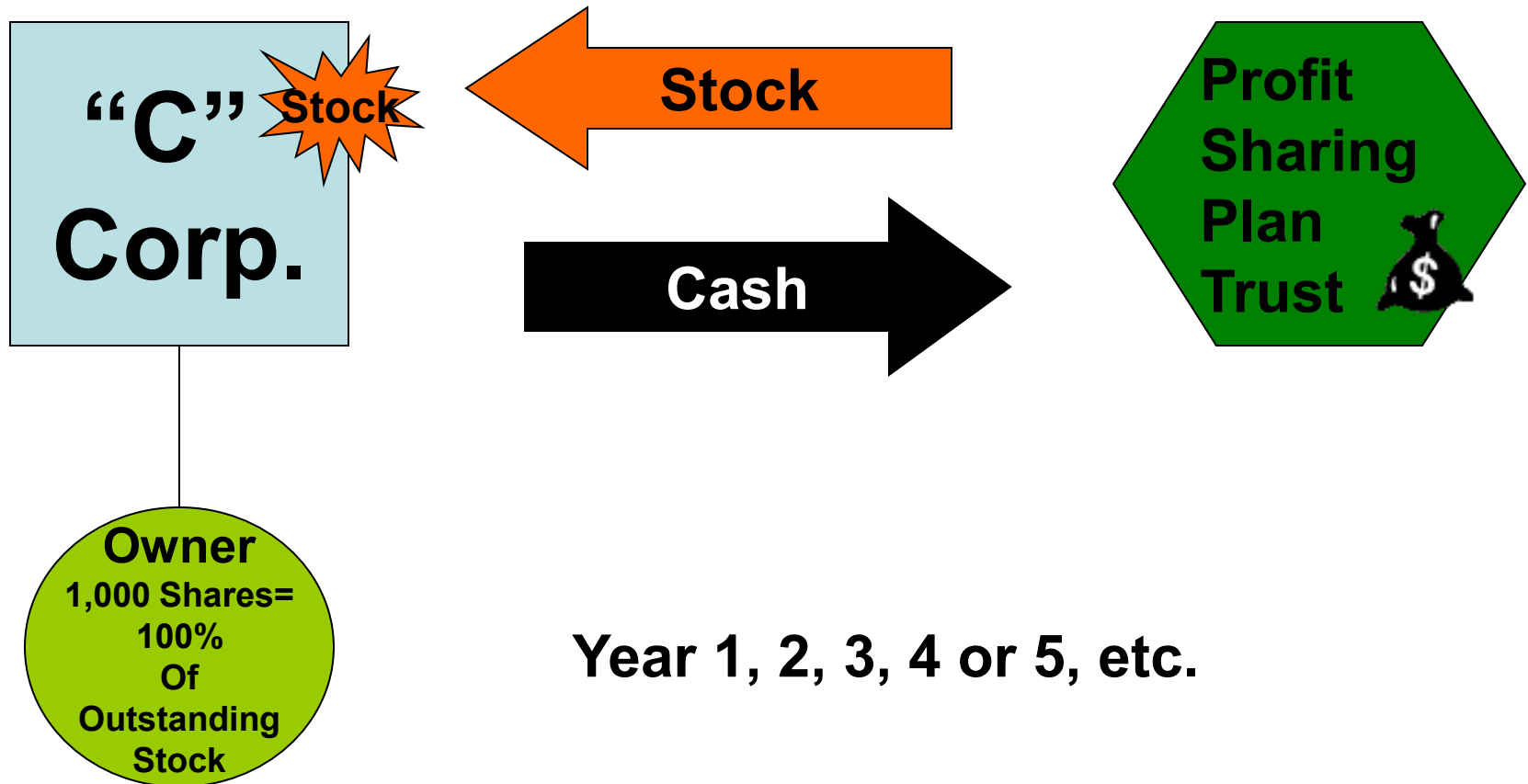
- Administration \$995
 - plus per participant and per account fees less %50 [limit \$500] tax credit first 3 years
 - Allocations of Gains and Losses
 - Allocations of Contributions
 - Summary Annual Reports
 - IRS Form 5500
 - Participant Statements
 - Continuing Situation Reassessment
 - Exit Planning

Exit Strategies!

Retire The Stock:

- Asset Sale by corporation to new buyer
- Our owner is now ready to invest in units or businesses #2,3,4
- Asset Protection

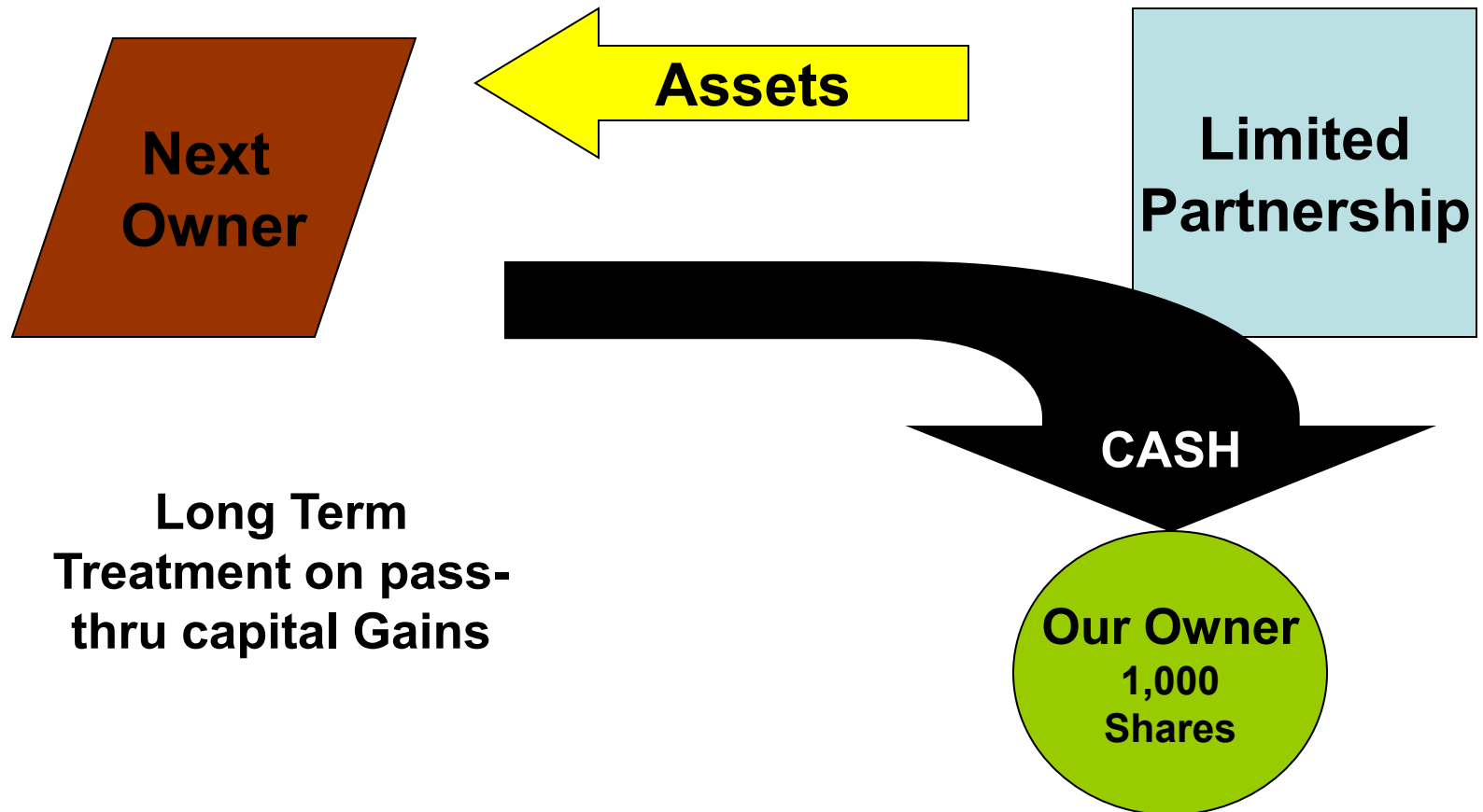
Stock Retirement



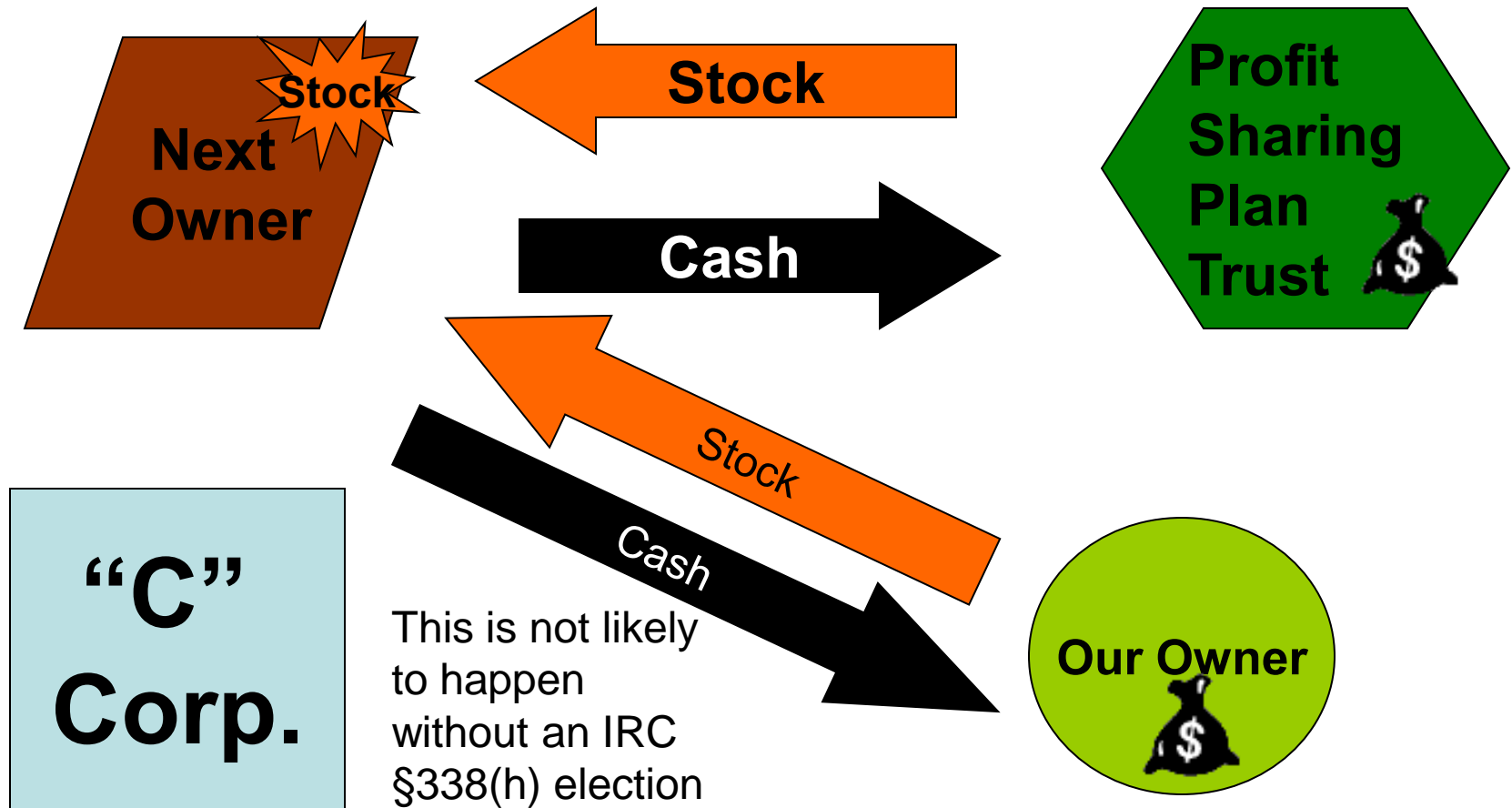
Migration to Limited Partnership

- The Plan no longer holds employer securities.
- Typically occurs at “cumulative net income = \$-0-.”
- Company establishes “Adequate Consideration” and “Minimum Built-In Gain” with a third party appraisal.

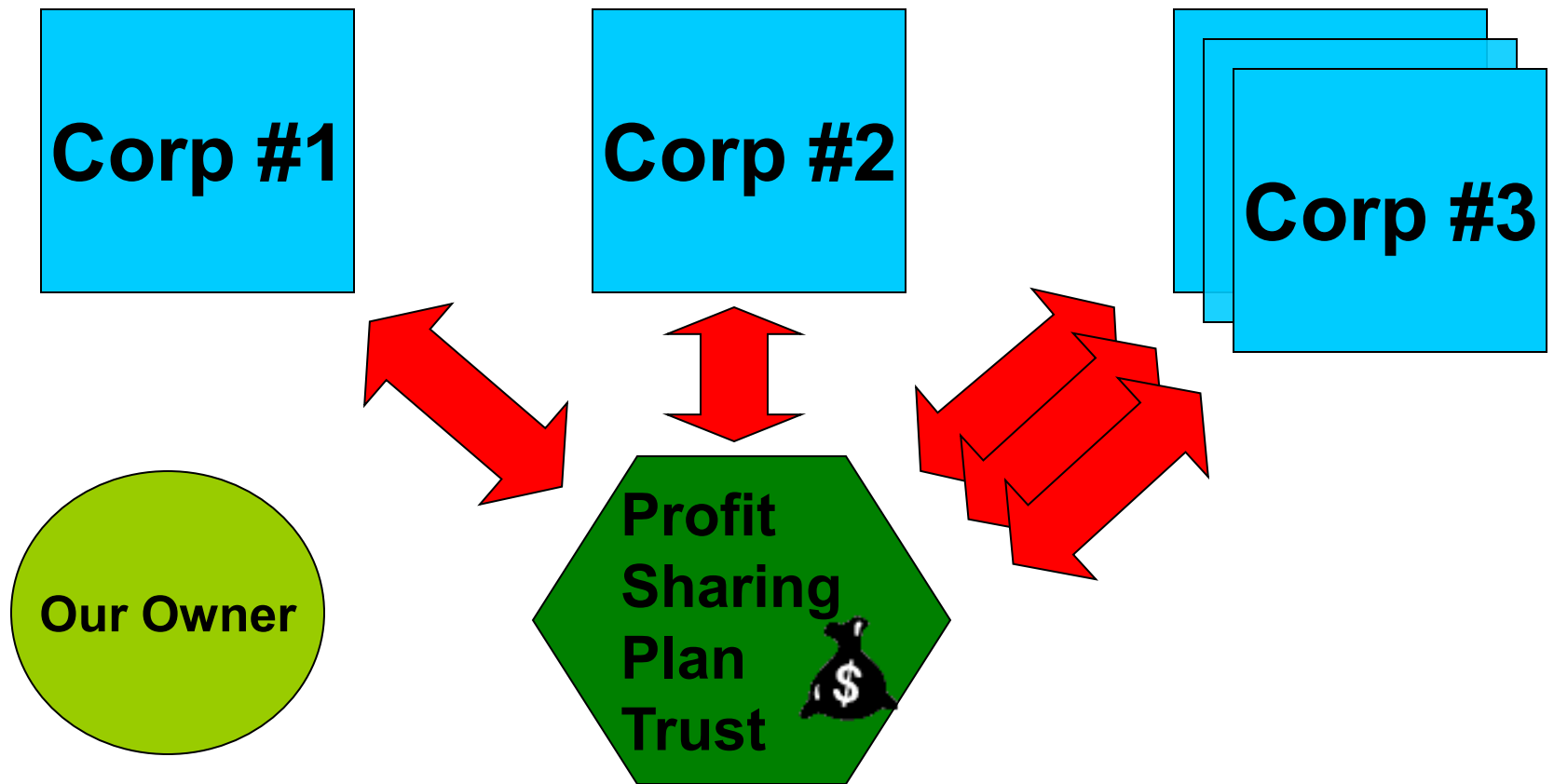
Asset Sale By Limited Partnership.



Stock Sale By Plan



Now, Ready to Invest in Unit #2,3,4?, etc?



Questions?

[Want to read it in detail? Click here!](#)

Contact Us TODAY!



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Houston, TX 77002-6311

713-781-9999 (Tel)

800-781-9996 (Toll Free)

713-951-0150 (Fax)

taxsavings@firsttax.com (email)

www.firsttax.com (website)

Internal Revenue Service

Department of the Treasury

Plan Description: Prototype Standardized Profit Sharing Plan with Code Washington, DC 20224

FFN: 502B3310701-006 Case: 200106100 EIN: 74-1537058

BPD: 01 Plan: 006 Letter Serial No: K203775a

▷
LOREN D STARK CO INC

3555 TIMMONS SUITE 300

HOUSTON, TX 77027

Contact Person: Ms. Arrington 50-00197

Telephone Number: (202) 283-8811

In Reference to: T:EP:RA:ICU

Date: 08/07/2001

Dear Applicant:

In our opinion, the form of the plan identified above is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This opinion relates only to the acceptability of the form of the plan under the Internal Revenue Code. It is not an opinion of the effect of other Federal or local statutes.

You must furnish a copy of this letter to each employer who adopts this plan. You are also required to send a copy of the approved form of the plan, any approved amendments and related documents to Employee Plans Determinations in Cincinnati at the address specified in section 9.11 of Rev. Proc. 2000-20, 2000-6 I.R.B. 553.

This letter considers the changes in qualifications requirements made by the Uruguay Round Agreements Act (GATT), Pub. L. 103-465, the Small Business Job Protection Act of 1996, Pub. L. 104-188, the Uniformed Services Employment and Reemployment Rights Act of 1994, Pub. L. 103-353, the Taxpayer Relief Act of 1997, Pub. L. 105-34, the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206 and the Community Renewal Tax Relief Act of 2000, Pub. L. 106-554. These laws are referred to collectively as GUST.

Our opinion on the acceptability of the form of the plan is not a ruling or determination as to whether an employer's plan qualifies under Code section 401(a). However, an employer that adopts this plan may rely on this letter with respect to the qualification of its plan under Code section 401(a), except as provided below, provided the eligibility requirements and contribution or benefit provisions are not more favorable for highly compensated employees than for other employees. The terms of the plan must be followed in operation. Except as stated below, Employee Plans Determinations will not issue a determination letter with respect to this plan.

Our opinion does not apply for purposes of Code section 401(a)(10)(B) and section 401(a)(16) if an employer ever maintained another qualified plan for one or more employees who are covered by this plan, other than a specified paired plan within the meaning of section 4.13 of Rev. Proc. 2000-20, 2000-6 I.R.B. 553. For this purpose, the employer will not be considered to have maintained another plan merely because the employer has maintained another defined contribution plan(s), provided such other plan(s) has been terminated prior to the effective date of this plan and no annual additions have been credited to the account of any participant under such other plan(s) as of any date within the limitation year of this plan. Likewise, if this plan is first effective on or after the effective date of the repeal of Code section 415(e), the employer will not be considered to have maintained another plan merely because the employer has maintained a defined benefit plan(s), provided the defined benefit plan(s) has been terminated prior to the effective date of this plan. Our opinion also does not apply for purposes of Code section 401(a)(16) if, after December 31, 1985, the employer maintains a welfare benefit fund defined in Code section 419(e), which provides postretirement medical benefits allocated to separate accounts for key employees as defined in Code section 419A(d)(3).

An employer that adopts this plan may not rely on this opinion letter with respect to: (1) whether any amendment or series of amendments to the plan satisfies the nondiscrimination requirements of section 1.401(a)(4)-5(a) of the regulations, except with respect to plan amendments granting past service that meet the safe harbor described in section 1.401(a)(4)-5(a)(5) and are not part of a pattern of amendments that significantly discriminates in favor of highly compensated employees; or (2) whether the plan satisfies the effective availability requirement of section 1.401(a)(4)-4(c) of the regulations with respect to any benefit, right or feature.

An employer that adopts this plan as an amendment to a plan other than a standardized plan may not rely on this opinion letter with respect to whether a benefit, right or other feature that is prospectively eliminated satisfies the current availability requirements of section 1.401(a)-4 of the regulations.

An employer that elects to continue to apply the pre-GUST family aggregation rules in years beginning after December 31, 1996, or the combined plan limit of section 415(e) in years beginning after December 31, 1999, will not be able to rely on the opinion letter without a determination letter.

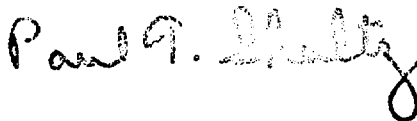
The employer may request a determination (1) as to whether the plan, considered with all related qualified plans and, if appropriate, welfare benefit funds, satisfies the requirements of Code section 401(a)(16) as to limitations on benefits and contributions in Code section 415 and the requirements of Code section 401(a)(10)(B) as to the top-heavy plan requirements in Code section 416; (2) regarding the nondiscriminatory effect of grants of past service; (3) with respect to whether a prospectively eliminated benefit, right or feature satisfies the current availability requirements; and (4) with respect to the continued application of the pre-GUST family aggregation rules in years beginning after December 31, 1996, or the combined plan limit of section 415(e) in years beginning after December 31, 1999. The employer may request a determination letter by filing an application with Employee Plans Determinations on Form 5307, Application for Determination for Adopters of Master or Prototype or Volume Submitter Plans.

If you, the master or prototype sponsor, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the sponsor. Individual participants and/or adopting employers with questions concerning the plan should contact the master or prototype sponsor. The plan's adoption agreement must include the sponsor's address and telephone number for inquiries by adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us if you modify or discontinue sponsorship of this plan.

Sincerely yours,



Director

Employee Plans Rulings & Agreements