

412(e)(3) Defined Benefit Pension Plans

A 412(e)(3) defined benefit pension plan, referred to in IRS regulations as an "insurance contract plan", is the only defined benefit plan that is exempt from the minimum funding requirements of Section 412(e)(3) of the Internal Revenue Code. This type of plan, therefore, enjoys certain advantages over the traditional defined benefit plan and is worth exploring if you are the owner of a small business.

These advantages create a plan that, compared to a traditional defined benefit plan, will produce:

- larger initial deductions;
- greater stability in the contribution level;
- simpler plan administration, and
- a secure promise of future benefits.

What Are The Advantages Of A 412(e)(3) Insurance Contract Plan Over A Traditional Defined Benefit Plan?

- does not require an enrolled actuary;
- is not subject to the full funding limitation tests of a defined plan;
- is required to use the contract guarantees as funding assumptions, thus helping shield them from IRS attack as unreasonable funding assumptions;
- can be designed to eliminate the potential of excess plan assets that, in a traditional plan, could be subject to taxes and penalties of 80% or more upon termination of the plan;
- produces an understandable accrued benefit since it is simply the cash value of the contracts funding the participant's account;
- creates larger initial deductions than a traditional plan since the funding assumptions are required to be much more conservative; and

- provides retirement benefits that are guaranteed by the insurance company and not just the financial strength of the particular employer providing the plan.

What Requirements Must Be Met To Qualify As A 412(e)(3) Insurance Contract Plan?

The major requirements under section 412(e)(3) of the Internal Revenue Code are:

- The plan must be funded exclusively with annuity products, or a combination of life insurance and annuity products, issued by an insurance company.
- The benefits provided each individual must be equal to the values provided in the contracts and guaranteed by the insurance carrier.
- Life insurance dividends and excess annuity interest must be used to reduce the following year's plan contribution.
- No policy loans are allowed under the contracts.

SP0609	96.40	0.00	0.00
SP0907	105.40	0.19	5.61
SP0908	102.20	0.39	2.11
SP0909	96.02	0.00	0.00
SP1206	105.80	0.00	0.00
SP1207	105.45	0.23	18.21
SP1208	99.70	0.30	3.41
SP1209	102.50	0.00	0.00
STC080409	103.20	0.00	0.00
TST080707	100.00	0.00	0.00
TST080807	100.00	0.00	0.00
TST080907	100.00	0.00	0.00
TST081007	100.00	0.00	0.00
TST081107	100.00	0.00	0.00
TST081207	100.00	0.00	0.00
TST090107	100.00	0.00	0.00
TST090207	100.00	0.00	0.00
TST090307	100.00	0.00	0.00
TST090407	100.00	0.00	0.00
TST090507	100.00	0.00	0.00
TST090607	100.00	0.00	0.00
TST090707	100.00	0.00	0.00
TST090807	100.00	0.00	0.00
TST090907	100.00	0.00	0.00
TST091007	100.00	0.00	0.00
TST091107	100.00	0.00	0.00
TST091207	100.00	0.00	0.00
TST100107	100.00	0.00	0.00
TST100207	100.00	0.00	0.00
TST100307	100.00	0.00	0.00
TST100407	100.00	0.00	0.00
TST100507	100.00	0.00	0.00
TST100607	100.00	0.00	0.00
TST100707	100.00	0.00	0.00
TST100807	100.00	0.00	0.00
TST100907	100.00	0.00	0.00
TST101007	100.00	0.00	0.00
TST101107	100.00	0.00	0.00
TST101207	100.00	0.00	0.00
TST110107	100.00	0.00	0.00
TST110207	100.00	0.00	0.00
TST110307	100.00	0.00	0.00
TST110407	100.00	0.00	0.00
TST110507	100.00	0.00	0.00
TST110607	100.00	0.00	0.00
TST110707	100.00	0.00	0.00
TST110807	100.00	0.00	0.00
TST110907	100.00	0.00	0.00
TST111007	100.00	0.00	0.00
TST111107	100.00	0.00	0.00
TST111207	100.00	0.00	0.00
TST120107	100.00	0.00	0.00
TST120207	100.00	0.00	0.00
TST120307	100.00	0.00	0.00
TST120407	100.00	0.00	0.00
TST120507	100.00	0.00	0.00
TST120607	100.00	0.00	0.00
TST120707	100.00	0.00	0.00
TST120807	100.00	0.00	0.00
TST120907	100.00	0.00	0.00
TST121007	100.00	0.00	0.00
TST121107	100.00	0.00	0.00
TST121207	100.00	0.00	0.00

How Much Can The Initial Deductible Contribution To A 412(e)(3) Defined Benefit Plan Be?

Below is an illustration of the maximum first year contribution created by using American National Life and Annuity products at selected ages.

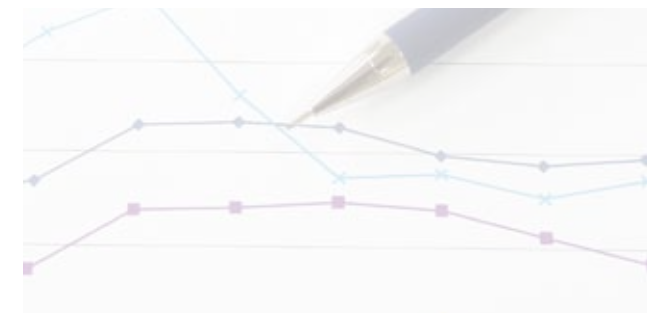
	Annuity Only	Maximum Life Insurance and Annuity
Age 40	\$ 77,405	\$94,674
Age 45	\$108,619	\$135,183
Age 50	\$166,552	\$213,905
Age 55	\$215,941	\$296,867

If your goal is a large deduction for your business and a secure retirement benefit for yourself, the special characteristics of the 412(e)(3) defined benefit plan are worth exploring. American National would be happy to provide you with a free look at a 412(e)(3) plan for your specific business.

Note: The contributions above are based upon maximums for 2011 and the guaranteed annuity purchase rates, the guaranteed insurance cash values, and the guaranteed annuity accumulation rates of American National Insurance Company 412(e)(3) qualified life and annuity products. The numbers also assume the business owner at the selected ages has earnings of at least \$195,000 and the normal retirement age is 62.

The benefits provided are dependent upon minimum premium requirements and the claims paying ability of the issuer.

Neither American National nor its representatives gives legal, tax or accounting advice. If you need such advice, consult your attorney, accountant or personal tax advisor.



A History of Safety and Strength

Since 1905, American National Insurance Company has been a consistent source of financial strength and long-term planning which has earned the respect of millions of policyowners. American National's financial strength and operating integrity have positioned it as a leader in the insurance industry.

American National offers innovative and customer focused insurance products and ranks among the larger life insurance companies in the United States. We are committed to providing our customers with high quality, products that best fit their diverse and changing financial needs.



412(e)(3) Defined Benefit Pension Plans

Policy Forms: PWLU-CSO, GPWLU-C



IMIG
INDEPENDENT MARKETING GROUP

412(e)(3)
Pension
Plans
From
American
National
Insurance
Company

Independent Marketing Group is a Division of
American National Insurance Company

New Dimensions In Pensions