

# Small Business Retirement Planning

From  
American  
National  
Insurance  
Company

New Dimensions In Pensions



# The Ultimate Financial Goal...

## If You Are

A small business owner seeking a retirement funding opportunity, or evaluating your existing retirement plan, you are probably seeking the **ultimate financial goal**:

## ... To Accumulate, Preserve, and Transfer Wealth.

You've worked hard to achieve your successful financial standing. Now you are ready to reap the rewards of that financial success with a prudent, carefully planned strategy to help you achieve your financial goal.

But just how do you do that, and is there a way to combine achieving your financial goals with reducing your current taxes?



# The Challenge ...

The challenge for you, as a small business owner, is to determine what is the most beneficial way to build your assets, both from an accumulation and a tax-savings viewpoint, so that they will be available to help you achieve your retirement goals.

A pension plan designed specifically for your business may be the solution.

## ... And The Choices

American National offers a variety of plans to structure a retirement program to fit your needs, including:

- 412 (e)(3) Defined Benefit Plans
- Traditional Defined Benefit Plans
- New Comparability Profit Sharing Plans
- 401(k) Plans (including Safe Harbor plans)

## And More ...

Once you have chosen the type of plan, you can choose the plan features that meet your specific requirements. These features include, but are not limited to:

- Eligibility Requirements
- Vesting Schedules
- Loan Provisions

Innovative designs can be structured for either a new retirement program or a takeover of an existing plan. To complement this plan design package, American National offers a full administrative package as well as customer focused service, technology support, and a wide range of funding options.

Let's take a closer look at some possible plan options.

# Qualified Retirement Plan Options

## 412 (e)(3) Defined Benefit Plan

This plan design allows the largest possible deductions for the business owner, and it liberates owners from the contribution limitations of 401(k) and profit sharing plans.

A good candidate for this plan design is an older independent contractor with few employees (or none) who is earning a very high income. There is little flexibility in the contribution level each year. All benefits must be guaranteed by an insurance company so all assets must be invested in insurance company contracts. The benefits provided are dependent upon minimum premium requirements and the claims paying ability of the issuer.

### Maximum First Year Deductions Available 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

*Note: The contributions above are based upon maximums for 2010, based on 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 insurance 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.*

# New Comparability Profit Sharing Plans

These plans allow for the largest possible share of the company's contribution to be allocated to the owner and/or key employees. There is flexibility in the contribution level since it is a profit sharing plan and the contribution each year is discretionary.

The plan works best when the business owner is older than most of the other employees. Below is a comparison illustrating the power of a New Comparability Plan. Note the increase in the owner's allocation of 67% with no increase in the contribution from the business.



	Age	Salary	Traditional Profit Sharing Allocation	% of Salary	New Comparability Profit Sharing Allocation	% of Salary
Owner	60	\$ 196,000	\$ 29,400	15%	\$ 49,000	25%
Employee	33	46,000	6,900	15%	2,300	5%
Employee	34	47,000	7,050	15%	2,350	5%
Employee	54	39,000	5,850	15%	1,900	5%
Employee	42	35,000	5,250	15%	1,750	5%
Employee	43	29,000	4,350	15%	1,450	5%
		\$ 392,000	\$ 58,800		\$ 58,800	
Owner's Share			(50%)		(83%)	

Note: In the above example for calendar year 2010, the owner will receive \$19,600 more into his account without any increase in the contribution from the business. The plan is not considered discriminatory by the IRS even though the owner receives a much larger share of the profit sharing contribution. The increase in the owner's allocation of 67% with no increase in the contribution from the business.

# Safe Harbor 401(k) Plans

If you are a small business owner interested in a 401(k) plan, you need to consider the advantages of a safe harbor 401(k) plan.


These plans allow the key employees to contribute up to the maximum dollar limit of \$16,500 for 2010 as their 401(k) elective deferral without regard to what the other employees contribute. The maximum deferral for 2010 is \$22,000 if a participant is age 50 or over.

In a traditional plan, the highly compensated employee's contribution may be limited and is dependent upon what all other employees contribute as elective deferrals to the plan. One method of meeting the safe harbor rules is to make a 3% fully vested contribution for all employees. The end result can be a very appealing plan.

	Age	Salary	3% Vested Employer Contribution	401 (k) Employee Elective Deferral	Total Allocation
Owner	60	\$ 120,000	\$ 3,600	\$ 22,000	\$ 25,600
Employee	33	33,000	990	0	990
Employee	34	31,000	930	0	930
Employee	54	29,000	870	0	870
Employee	42	23,000	690	0	690
		\$ 236,000	\$ 7,080	\$ 22,000	\$ 29,080

# An Opportunity

There are many variations of these plan designs, but the examples should give you an idea of the retirement planning opportunities available to you as a small business owner or professional. By taking advantage of tax law changes and innovative ideas based on your particular situation, you may be able to convert current taxes to assets, defer tax payments, and generate the retirement income you desire.



If you do not have a retirement plan, or even if you do have an existing plan, you need to review the new plans created by recent tax

law changes available for small business owners. Retirement plans are more flexible and appealing than ever before, and there are numerous plan designs to choose from.

Retirement plans today may allow you, as the small business owner, to receive 60%, 70%, or even more of the deductible business contribution. In such cases, it could be costing you money not having a plan!

But how do you know which type of plan to choose? Allow us to give you a free look at the innovative retirement plans available today. You have retirement goals—let us help you achieve them.

## Beginning The Process

Working with your CPA and financial advisors, we offer a complete process to assess your individual situation and determine your long-term goals and objectives. All you have to do is fill out a simple census form. From this initial discovery phase, we help determine which type of retirement plans may best meet your goals and objectives. Once the plan type is chosen, we can also recommend the best way to implement and administer the plan to meet your retirement needs. From the case design to product fulfillment to annual administration ... we can handle the complete package.

Each individual has a unique set of needs and considerations. We take into account such issues as estate planning, current income, family business succession, and transfer of wealth to the next generation. Together with your CPA and financial advisors, we can customize a retirement program to maximize the tax advantages available to you as a small business owner.

There is no fee for this discovery and design process, but there could be a cost—the cost of continuing to pay taxes that could work for you and your small business in achieving your financial goals.



# The Next Step

The next important decision will be how to fund the retirement program. At American National, we have funding vehicles to fit any plan situation. A review of our available options will determine those best suited to your retirement profile.

Careful consideration of the options available, together with the advice provided by your financial advisors, should allow you to make the right choice for your retirement program.

# A Plan Partnership

With over 30 years of experience in administering pension plans, not only will we work in partnership with you and your advisor to help design the best retirement plan to meet your financial goals, we can also help you maintain it. We offer a comprehensive package of plan design,

documentation, installation, and annual administration for a very moderate fee. This complete package gives you the peace of mind that your plan will be maintained in compliance with all government regulations, leaving you to do what you do best—running your business.

# Only You Can Decide

You rely on the advice of your financial advisors to help make those decisions that can affect the success of your business and ultimately your financial goals. We can assist with the plan design and administration of the retirement plan that best meets your future financial goals. Our state-of-the-art technology, providing daily valuations and Internet access on 401(k) plans, completes the retirement plan package.

The next step is yours. All you need to do is complete a confidential census and return it to American National with your plan goals. Your goal may be to create a new deduction for your business, increase your current deduction, or examine new innovative methods of allocating your business retirement plan contribution. The important thing is to take that next step.



# American National Insurance Company

American National Insurance Company ("American National") has been evaluated and assigned the following ratings by nationally recognized, independent rating agencies. The ratings are current as of May 2010.

## A.M. Best's Rating A (Excellent)

3<sup>rd</sup> highest of 13 active company ratings <sup>1</sup> "A excellent ability to meet their ongoing obligations to policyholders"

## Standard & Poor's Rating AA- (Very Strong)

4<sup>th</sup> highest of 20 active company ratings <sup>2</sup> "Very strong financial security characteristics, differing only slightly from those rated higher"

Ratings reflect current independent opinions of the financial capacity of an insurance organization to meet the obligations of its insurance policies and contracts in accordance with their terms. They are based on comprehensive quantitative and qualitative evaluations of the company and its management strategy. The rating agencies do not provide ratings as a recommendation to purchase insurance or annuities. The ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations.

These ratings do not extend to the performance of the underlying investment portfolios in the applicable separate account funding WealthQuest® III Variable Products, which are subject to market risk. Accumulation value will vary and you may have a gain or loss when money is withdrawn.

Ratings may be changed, suspended, or withdrawn at any time. For the most current ratings view the full rating reports on American National's Internet site at [www.anico.com](http://www.anico.com).

<sup>1</sup> A.M. Best's active company rating scale is: A++ (Superior), A+ (Superior), A (Excellent), A- (Excellent), B++ (Very Good), B+ (Very Good), B (Adequate), B- (Adequate), C++ (Fair), C+ (Fair), C (Marginal), C- (Marginal) and D (Poor).

<sup>2</sup> Standard & Poor's active company rating scale is: AAA (Extremely Strong), AA (Very Strong), A (Strong), BBB (Good), BB (Marginal), B (Weak); CCC (Very Weak), and CC (Extremely Weak). Plus (+) or Minus (-) modifiers show the relative standing within the categories from AA to CCC.

Neither American National nor its representatives provide legal or tax advice. Please consult your attorney or tax advisor for your specific situation.

These ratings are provided to you so that you may make a comparison of American National Insurance Company to other companies. They are not provided as a recommendation by the ratings companies to purchase this coverage.

Variable products are offered and distributed through Securities Management and Research, Inc. (SM&R), Member FINRA, SIPC, a subsidiary of American National Insurance Company, 2450 South Shore Blvd., League City, Texas 77573 (281) 334-2469.



In defined contribution plans, the amount of funds accumulated and the investment gains or losses solely determine the benefit at retirement.

Distributions made to a Participant before age 59½ may be subject to a 10% premature distribution penalty.

Qualified Plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules.

Policy Forms: PWLU-CSO, GPWLU-C, LPWLU, GLPWLU-C, DAGA99, GUVAP03, PULU

Independent Marketing Group (IMG) is a division of American National Insurance Company.



# The Pension Sales Process

For more information, contact  
ANICO Pension Sales (888) 909-6504  
[pensionproposals@anico.com](mailto:pensionproposals@anico.com)



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One Moody Plaza, Galveston, Texas 77550-7999

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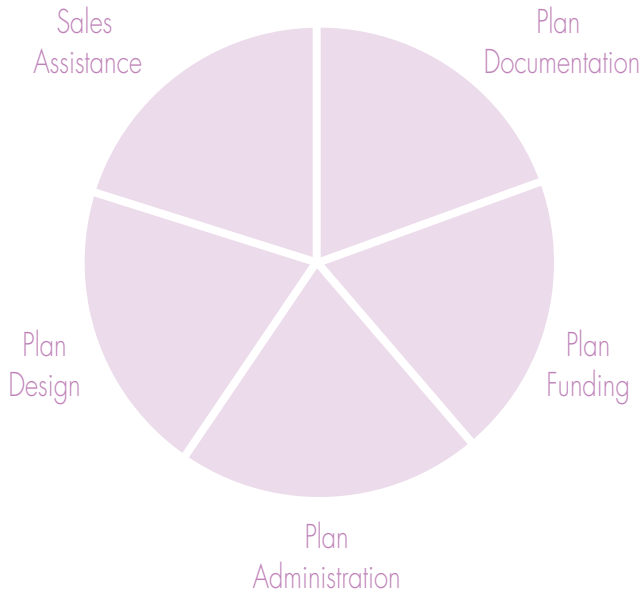
Pension  
Sales  
From  
American  
National  
Insurance  
Company

**Agent Use Only: Not For Use With The General Public.**

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## What Is The Pension Sales Process?

At American National, retirement planning is more than just a plan, it's a process. Our Pension Sales Department is here to help you put the pieces together.



Our integrated sales and administrative process is especially attractive in the small business market. Innovative plan design plus a full package of sales and administrative support will help separate you from your competition in the retirement plan market.

The process begins with the receipt of census information from you. Retirement planning specialists then prepare alternative plan designs and these specialists are available to assist you throughout the sales process. Our technical support will insure that you and your prospect understand the features of the proposed plan.

Plan installation, which includes providing a prototype plan document for any type of pension, profit sharing or 401(k) plan is the next step. We supply the other important pieces of a complete pension package as well, including ongoing annual plan administration and various products for funding the plan.

Once the prospect becomes a client, the process remains simple. Annually all we need is an updated employee census and a brief questionnaire completed in order to prepare all of the plan's required reports for the plan sponsor, the participants and the appropriate government agencies.

To start the process we just need a complete census listing all employees' dates of birth, dates of hire, and annual salaries. We can then prepare a FREE LOOK at a specific plan design for your prospect.

You can mail, fax or e-mail your census information to the Pension Sales Department for your FREE PROPOSAL. There also is an interactive proposal request form on our website that allows you to simply fill out the census information and click to send to avoid any paperwork. Just go to [www.img.anicoweb.com](http://www.img.anicoweb.com), scroll down and select the Pension Area and then click on the Online Proposal Request link.

Once a plan is sold, all of the forms you need to set up the plan, along with checklists to guide you through the process, can be found on the website under the link Plan Installation.

## Questions:

Call us at 888-909-6504 • Fax us at 409-766-6995

e-mail us at [pensionproposals@anico.com](mailto:pensionproposals@anico.com)

***The Process Begins With Receipt Of  
Census Information From You!***

# American National Insurance Company

## Plan Comparison Chart

Plan Type	401(k)	Safe Harbor 401(k)	Simple 401(k)	Simple IRA	Profit Sharing	SEP IRA	Money Purchase	Defined Benefit	412(e)(3)
<b>Target Market</b>	1 + Employees	1 + Employees	No more than 100 employees who earned more than \$5000 in prior year	No more than 100 employees who earned more than \$5000 in prior year	Business with fluctuating earnings and self-employed	Small businesses and self-employed	Business with high stable earnings and self employed	Business with stable earnings and owners close to retirement and self-employed	Business with stable earnings and owners close to retirement and self-employed
<b>Key Features</b>	Tax-deferred investing; flexibility in plan design; investment flexibility	Tax-deferred investing; no discrimination testing; investment flexibility	Tax-deferred investing; no discrimination testing; investment flexibility	Tax-deferred investing; no discrimination testing; investment flexibility	Flexible Contributions; investment flexibility	Investment flexibility	Consistent contributions; investment flexibility	Consistent contributions	Maximum consistent contributions
<b>Contributors</b>	Employee and optional Employer	Employee and Employer	Employee and Employer	Employee and Employer	Employer only	Employer only	Employer only	Employer only	Employer only
<b>Contribution Flexibility</b>	Yes	No; possible additional employer contributions above safe harbor	No	Very Limited	Yes	Yes	No; percentage established at plan set up	No; based on formula	No; based on formula
<b>Maximum Eligibility Requirements</b>	Age 21 and 1 year of service	Age 21 and 1 year of service	Age 21 and 1 year of service	Employees earning \$5000 in current year and any 2 prior years	Age 21 with 1 year of service (2 years with 100% vesting)	Age 21 with any service in 3 of last 5 years	Age 21 with 1 year of service (2 years with 100% vesting)	Age 21 with 1 year of service (2 years with 100% vesting)	Age 21 with 1 year of service (2 years with 100% vesting)
<b>Maximum Annual Salary Deferral</b>	\$16,500 (2010) with \$5500 catch up contributions	\$16,500 (2010) with \$5500 catch up contributions	\$11,500 (2010) with \$2500 catch up contributions	\$11,500 (2010) with \$2500 catch up contributions	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
<b>Maximum Annual Employer Contribution</b>	25% of eligible employee compensation	3-4% safe harbor; optional additional contribution either matching or non-elective. (total 25% of eligible compensation)	100% up to 3% match to participants or 2% to all eligible employees	100% up to 3% match to participants or 2% to all eligible employees	Up to 25% of eligible employee compensation; limited to \$49,000 per eligible employee (2010)	25% of eligible employee compensation	Up to 25% of eligible employee compensation; limited to \$49,000 per eligible employee (2010)	Amount needed to fund plan	Amount needed to fund plan
<b>Vesting in Employer Contribution</b>	May be graded up to 6 years or 100% after 3 years	100 % immediately on Safe-Harbor contributions	100 % immediately	100 % immediately	May be graded up to 6 years or 100% after 3 years	100 % immediately	May be graded up to 6 years or 100% after 3 years	May be graded up to 6 years	May be graded up to 6 years
<b>Loans</b>	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No
<b>When Established</b>	Anytime	Anytime with 30-day notification for new plans prior to October 1st	Prior to October 1st	Prior to October 1st	Prior to fiscal year end	Anytime prior to tax filing deadline including extensions	Prior to fiscal year end	Prior to fiscal year end	Prior to fiscal year end
<b>IRS 5500 Reporting</b>	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes

## 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.



In defined contribution plans, the amount of funds accumulated and the investment gains or losses solely determine the benefit at retirement.

Distributions made to a Participant before age 59½ may be subject to a 10% premature distribution penalty.

Neither American National nor its representatives provide legal or tax advice. Please consult your attorney or tax advisor for your specific situation

Qualified Plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules.



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## Plan Comparison Chart

Plan  
Comparison  
From  
American  
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## The Emergence of the 401(k) Plan

The 401(k) plan is now the premier retirement savings vehicle in the U.S. This growth is directly attributable to a shift away from traditional pension plans, where employers alone are responsible for providing retirement benefits to their employees, to 401(k) and other defined contribution plans, where participants share in the responsibility for saving and investing for their retirement.

401(k) plans can be a powerful tool to promote saving for retirement. They are a valuable option for businesses considering a retirement plan, providing benefits to employees and to those employers sponsoring plans.

Employers establish 401(k) plans for a variety of reasons:

- A well designed 401(k) plan can help attract and retain talented employees
- It allows participants to decide how much to contribute to their accounts on a before tax basis
- Employers receive a tax deduction for their contributions to employees' accounts
- Contributions and earnings generally are not taxed until they are distributed at retirement
- 401(k) plans can be designed to provide contributions favoring the business owners and their key employees

## Small Business 401(k) Plan Issues

Historically, small businesses have encountered a number of negatives to sponsoring a 401(k) plan, including:

- High administrative costs
- Plan designs that do not provide significant enough contribution levels for the business owners
- Plan designs that do not favor the key employees
- Lack of flexibility in investment options
- Lack of state of the art administrative services
- No one to turn to for guidance on these issues

## Custom Plan Design

A customized plan design that provides meaningful benefits to the business owner(s) is essential to the ongoing success of a small business 401(k) plan. American National can provide a plan design that favors the key employees of the business by utilizing various design options, including:

- Traditional allocations
- Allocations integrated at the social security wage base
- Tiered and multi-tiered new-comparability (cross-tested) formulas
- American National's exclusive new Super-Flex™ allocation method



American National designs and supports all types of qualified plans. Key to making a 401(k) the plan of choice for a small business is providing a design that favors the owners and key employees of the sponsoring employer. Just one example of how a plan can be designed (or redesigned for businesses with an existing plan) is shown below.

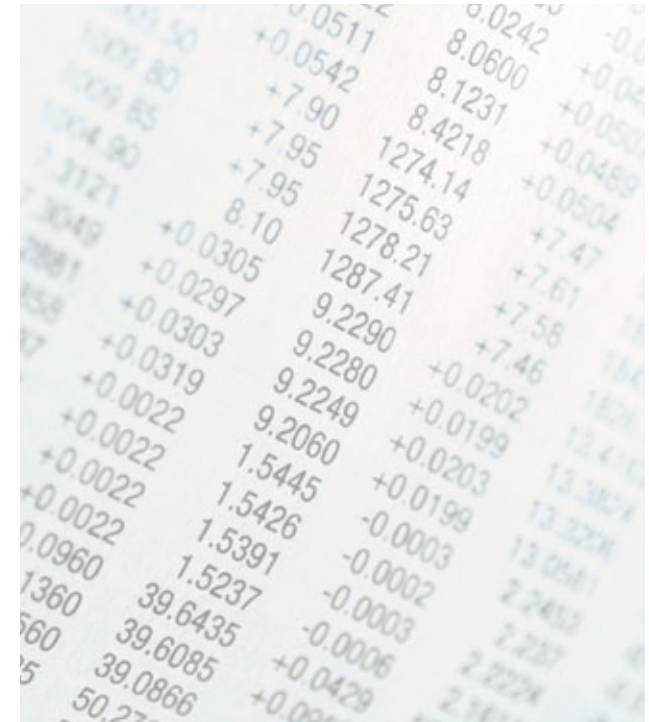
	Age	Salary	Traditional 401(k) w/ PS Contribution	% of Total	ANICO Custom 401(k) w/ PS Contribution	% of Total
OWNER	60	\$ 49,000	\$33,374	55	\$54,500	90
Employee	54	33,000	7,660	13	1,650	3
Employee	28	31,000	7,196	12	1,550	3
Employee	27	29,000	6,731	11	1,450	2
Employee	26	23,000	5,339	9	1,150	2
		<b>\$165,000</b>	<b>\$60,300</b>		<b>\$60,300</b>	
<i>Owner's Share</i>				<i>55%</i>		<i>90%</i>

## Future Planning

If you do not have a retirement plan and would like to request a "free look" at how you and your business could benefit from one, or if you already have a plan but would like to see how an improved plan design could better meet your retirement planning goals and allow you to take command of your retirement planning future today, just complete a census form and have your representative ask American National to prepare a custom proposal designed specifically for your business.

American National offers a full-service package. We provide custom plan design, prototype documents for establishing the plan along with complete plan administration services at very low cost. Plan installation starts at just \$250 and annual administration services begin at just \$900 per year for plans utilizing American National annuity products.

401(k) annual services include daily valuation, 24/7/365 participant internet access to accounts, a plan sponsor web site for information at the plan level, 401(k) and 401(m) annual testing, quarterly participant statements posted to the plan sponsor's web site, and preparation of all annual reporting forms including the 5500 package.



## American National's 401(k) Plan Solution

American National has developed a 401(k) plan package specifically designed to target the issues that most concern the small business owner.

Small business owners are adopting an American National 401(k) plan solution for a variety of reasons, including:

- Custom plan design on an individual case basis
- Plans that favor the owner(s) and the key employees of the business
- Complete documentation for establishing the plan
- Total ongoing service for the life of the plan, provided by our own pension administration department
- All government reports provided
- Quarterly participant statements
- Extremely low administration fees
- Large variety of investment options
- State of the art daily valuation system offering 24/7/365 internet access to account
- Internet access to all aspects of the plan for the employer
- Free and flexible investment transfers
- No surrender charges for death, disability, retirement, participant loan or termination distributions
- Low expense charges

In defined contribution plans, the amount of funds accumulated and the investment gains or losses solely determine the benefit at retirement.

Distributions made to a Participant before age 59½ may be subject to a 10% premature distribution penalty.

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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.

Policy Forms: DAGA99, GUVAP03

The ANICO 401(k) Retirement Plan  
The Best Choice for the Small Business  
Take Command of Your Future Today!



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## 401(k) Profit Sharing Plans

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Policy Forms: PWLU-CSO, GPWLU-C, DAGA99, GUVAP03, PULU



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## New Comparability Profit Sharing Plans

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## New Dimensions In Pensions

## What Is A New Comparability Profit Sharing Plan?

These plans allow for the largest share of the company's contribution to be allocated to the owner and or key employees. There is flexibility in the contribution level since it is a profit sharing plan and the contribution each year is discretionary. This type of plan, therefore, enjoys certain advantages over the traditional profit sharing plan and is worth exploring if you are the owner of a small business.

## What Are The Advantages Of A New Comparability Profit Sharing Plan Over A Traditional Profit Sharing Plan?

A New Comparability profit sharing plan:

- allows different allocations among different groups of plan participants;
- may allow groups to be determined by salary, service, position, or even a combination of these categories;
- may allow the owner to receive a much larger allocation, as a percentage of pay, than other plan participants; and
- may allow an owner to select those participants he would like to reward with larger allocations.

## What Requirements Must Be Met To Qualify As A Nondiscriminatory New Comparability Plan?

This design is referred to as a "cross-tested" type of profit sharing plan. The discrimination testing is done by reviewing the projected benefits at retirement as opposed to the traditional plan approach of reviewing the contributions allocated to a participant's account each year. In this new type of design, the plan is not required to allocate the same percentage of pay to all participants.

The projected benefits of the highly compensated employees are averaged and compared to the average projected benefits of all other employees. If the comparison of benefits fall within a particular range, the plan will pass the mathematical testing stipulated in the regulations to qualify as a nondiscriminatory plan.

The flexibility allowed will be most pronounced if the key employees are, on average, older than most of the other employees. Only a feasibility study created for a specific firm will ultimately determine the allowable opportunities in plan design for that firm.

## How Does The Initial Allocation Of The New Comparability Plan Contribution Compare To The Allocation Of A Traditional Profit Sharing Plan?

Below is a specific example of the allowable plan allocations of a New Comparability plan versus the traditional profit sharing approach<sup>1</sup>:

	Age	Salary	Traditional Profit Sharing Allocation	% of Salary	New Comparability Profit Sharing Allocation	% of Salary
Owner	60	\$ 196,000	\$29,400	15%	\$49,000	25%
Employee	33	46,000	6,900	15%	2,300	5%
Employee	34	47,000	7,050	15%	2,350	5%
Employee	54	39,000	5,850	15%	1,950	5%
Employee	42	35,000	5,250	15%	1,750	5%
Employee	43	29,000	4,350	15%	1,450	5%
		<b>\$ 392,000</b>	<b>\$ 58,800</b>		<b>\$ 58,800</b>	
<i>Owner's Share</i>			<i>50%</i>		<i>83%</i>	

If your goal is a deduction for your business and a retirement benefit for yourself, the flexibility available in the New Comparability approach to allocating profit sharing contributions is worth exploring. American National would be happy to provide you with a free look at a New Comparability plan for your specific business.

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Qualified Plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules.

Neither American National nor its representatives provide legal or tax advice. Please consult your attorney or tax advisor for your specific situation.

<sup>1</sup> Allocations are dependent upon the specific ages of the employees in the firm. The allowable allocations necessary to meet the nondiscrimination requirements will vary by firm. Maximum contribution illustrated reflects limits for a 2010 Plan Year.

## Cash Balance Pension Plans

Cash Balance just might be the most exciting plan design to ever come along. It has been around for a few years but was made feasible for a small business by the Pension Protection Act of 2006. The PPA legislation actually describes it as a "Hybrid" plan. Cash balance earns this description because it has both defined benefit and defined contribution features.

### Defined benefit characteristics include:

- Benefits must be definitely determinable and stated in the plan document
- Contributions are required annually at the stated level
- The plan sponsor assumes the investment risk (no participant direction)
- Defined benefit 415 limits apply (i.e. no \$49,000 limit)

### Defined Contribution characteristics include:

- Participant's have an account balance
- Contributions and interest are added to the account annually
- Contributions can be skewed by class to favor owners and key employees

There are a number of features related to cash balance plans that make them both easier and harder to understand. The contribution and the interest that will be credited to participants' accounts must be guaranteed by the plan. Unlike a 401(k) plan, participants do not get to direct investments in their accounts. Since the plan sponsor must guarantee the interest credit to the accounts, if the plan's investments earn less than the promised rate the employer must make up the difference. Conversely, if the plan earns greater than the promised rate the excess amount would reduce the employer's future required contributions. This is exactly the opposite of what we have become accustomed to with defined contribution plans,

where the actual rate of return (or loss) is exactly what is credited to the participants' accounts. This difference will probably be the most difficult thing for plan sponsors to understand.

The exciting features of a cash balance plan include the fact that the defined benefit contribution limit can be used for the owner rather than the \$49,000 defined contribution limit and the fact that contributions can be skewed in favor of the owner by creating classes of employees as we have become familiar with in new comparability plans. This allows us to create an "efficient" plan design by providing the maximum contribution for the owner while making lower contributions for the other employees. From a contribution standpoint, then, a cash balance plan can be looked at as a new comparability plan without the \$49,000 contribution limit for the owner class.

The following contribution comparison chart shows how the owner of a small business with 4 employees benefits from a cash balance plan design over a new comparability profit sharing plan.

	AGE	SALARY	NEW COMP	CASH BALANCE*
Owner	55	\$225,000	\$49,000	\$153,000
EE 1	44	34,000	1,700	5,380
EE 2	36	30,000	1,500	4,750
EE 3	25	28,000	1,400	4,430
EE 4	22	20,000	1,000	3,160
<b>Owner's Share</b>		<b>\$337,000</b>	<b>\$54,600</b>	<b>\$170,720</b>
			<b>89%</b>	<b>90%</b>

\*Contributions are dependent on the specific ages of the employees in the firm. The allowable contributions necessary to meet the nondiscrimination requirements will vary by firm.

The higher cash balance contribution allowed for the owner requires a slightly higher contribution for the employees, but note that the owner's percentage share actually increases in this particular situation.

Another unique feature of a cash balance design is that a business is allowed to make the exact same contribution amount for all of the members of the "owner" class of employees. This means if we have different age owners they can still receive the same contribution amount. That is often not possible in most other plan designs but is most often what the small business owner is looking for.

The next chart illustrates the benefit of a cash balance plan design for a business with two different aged owners.

	AGE	SALARY	CONTRIBUTION*	% OF SALARY
Owner 1	61	\$225,000	\$150,000	67%
Owner 2	54	225,000	150,000	67%
EE 1	48	34,000	6,075	18%
EE 2	35	30,000	5,360	18%
EE 3	32	28,000	5,005	18%
EE 4	26	20,000	3,575	18%
<b>Owner's Share</b>		<b>\$580,000</b>	<b>\$320,015</b>	<b>94%</b>

Again, a higher contribution amount is required for the employees than we've seen in the past with new comparability, but the two owners are both getting an equal contribution that is triple the \$49,000 defined contribution limit and together they receive 94% of the total plan contribution. The cost of benefits for the employees should be more than paid for by the tax savings the business receives for this substantially higher contribution.

The Pension Protection Act also changed the contribution limitations for combinations of defined benefit and defined contribution plans. Since cash balance is considered a defined benefit plan, this means that an employer who is looking to fully maximize deduction potential could fund a 401(k)/profit sharing plan along with a cash balance plan. If the employer contributions to the 401(k)/profit sharing plan do not exceed 6% of the compensation of the participants (for PBGC covered plans), then the contributions to both that plan and the companion cash balance plan are deductible. Beginning in 2008, if the cash balance/defined benefit plan is PBGC covered, the full 25% defined contribution deduction limit is allowed along with the full cash balance/defined benefit contribution.

If your goal is a large deduction for your business and a secure retirement benefit for yourself, the special characteristics of a cash balance defined benefit plan are worth exploring. American National would be happy to provide you with a free look at a Cash Balance plan designed specifically for your business.

Neither American National nor its representatives provide legal or tax advice. Please consult your attorney or tax advisor for your specific situation.

## 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.

## Cash Balance Pension Plans



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## 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.

## 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.

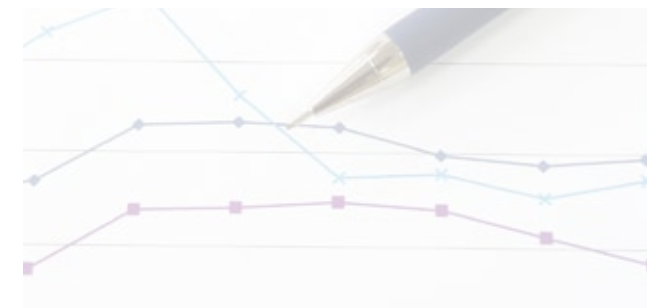
	Annuity Only	Maximum Life Insurance and Annuity
Age 40	\$ 77,405	\$94,674
Age 45	\$108,619	\$135,183
Age 50	\$166,552	\$213,905
Age 55	\$215,941	\$296,867

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 2010 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.*



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## 412(e)(3) Defined Benefit Pension Plans

Policy Forms: PWLU-CSO, GPWLU-C



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# WealthQuest® III Group Non-Registered Variable Annuity

## Issued to:

Trustees of Qualified Pension, Profit Sharing and 401(k) Plans

## Maximum Contribution Without Prior Approval:

\$1,000,000

## Insurance And Financial Services Fee:

Calculated and charged monthly, based on an Accumulation Value for the month using daily total account values. Banded fee is equal to a percentage of the Accumulation Value according to the following schedule:

Accumulation Value	Insurance Financial Services Fee
\$0 - \$500,000 .....	1.25%
\$500,000.01 - \$1,000,000 .....	1.05%
\$1,000,000.01 - \$3,000,000 .....	0.85%
\$3,000,000.01 - \$5,000,000 .....	0.60%
Over \$5,000,000 .....	0.35%

## Example:

Accumulation value of \$700,000. Fee of 1.25% applied to first \$500,000 of accumulation value and 1.05% applied to remaining \$200,000.



## Surrender Charge:

The surrender charge is a percentage of the amount withdrawn and varies by the year of withdrawal as shown in the following table:

Contract Years	1	2	3	4	5	6	7	8+
Surrender Charge	7%	7%	6%	5%	4%	3%	2%	0%

## Waiver of Surrender Charges:

Distributions to Plan Participants for Death, Disability, Retirement; Termination of Employment and Participant Loans

## Money Management Firms:

Invesco, Fred Alger Management, Inc., Federated Investors, Fidelity Investments®, MFS Investment Management, and T. Rowe Price®.

Fidelity Investments® is a registered service mark of FMR Corp. T. Rowe Price®, Invest With Confidence®, the Big Horn Sheep, and the logo they compose are registered trademarks of T. Rowe Price Group, Inc. in the U.S. and other countries.

## Investment Options:

Please refer to WealthQuest III Investment Options for the Group Non-Registered Variable Annuity (Form 10237) for a list of the available Portfolios.

## Minimum Account Allocations:

None

## Transfers:

Free, unlimited number\*\*

\*\* The contracts are designed for retirement or other long-term financial goals. They are not designed or appropriate for market timers or other persons that use programmed, large, or frequent transfers. We reserve the right to reject any transfer request or impose restrictions on transfers. Please see the Disclosure Memorandum for more information.

The foregoing is neither a contract nor an offer to contract, but is a general description of benefits available under a policy providing the features outlined. The exact provisions, terms, and conditions of the contract are set forth in detail in such policy as may be issued. This material is authorized for distribution to prospective investors and should be preceded or accompanied by a current Disclosure Memorandum for the WealthQuest® III Group Non-Registered Variable Annuity and the prospectuses for the underlying portfolios.

The Disclosure Memorandum for the variable product contains more complete information including all insurance fees and charges. The Prospectuses for each portfolio offered with this variable product also include more complete information on these investment companies. All investors are advised to consider the investment objectives, risks, and charges and expenses of the investment companies carefully before investing. The Disclosure Memorandum and underlying portfolios' prospectuses contain this and other information about the investment companies. You should read the Disclosure Memorandum and underlying portfolio prospectuses carefully before investing. Policy Form GUVAPO3

WealthQuest® III Group Non-Registered Variable Annuity has been developed exclusively for funding Pension Plans, Profit Sharing Plans, and 401(k) Plans. Information herein is not intended to be legal or tax advice. You should consult with an attorney or tax advisor for specific circumstances.

WealthQuest® III Group Non-Registered Variable Annuity is:

- Not FDIC/NCUA insured
- Not a deposit
- Not insured by any federal government agency
- No bank/CU guarantee
- May lose value

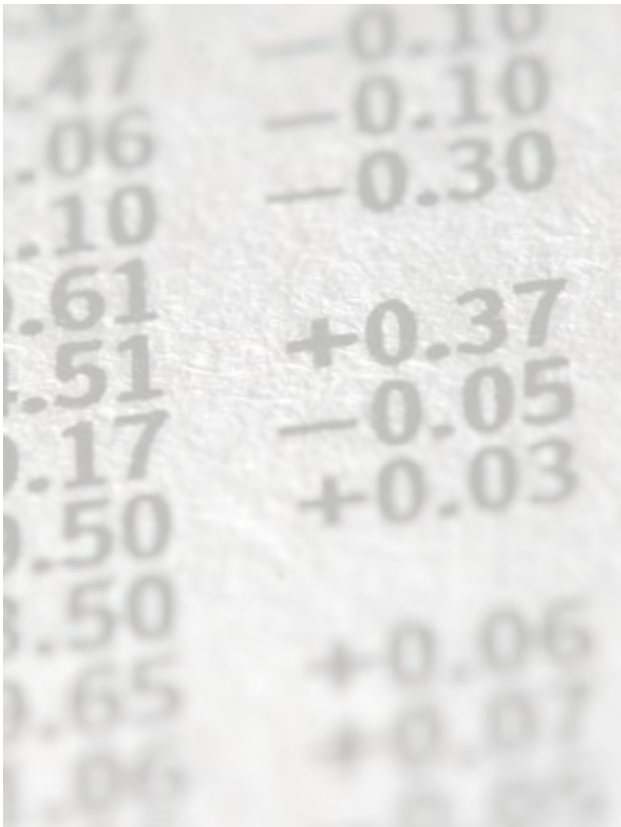
The Contract has not been registered under the Securities Act of 1933 in reliance upon exemptions from registration thereunder. The Separate Account has not been registered under the Investment Company Act of 1940 in reliance upon exceptions thereunder. The U.S. Securities and Exchange Commission has not approved or disapproved these securities; nor has the SEC passed upon the accuracy or adequacy of the Disclosure Memorandum.

## 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.

The strength of the company does not extend to the performance of the underlying investment portfolios in the applicable separate account funding this variable product, which are subject to market risk. Accumulation value will vary and you may have a gain or loss when money is withdrawn.



## WealthQuest® III

Group Non-Registered  
Variable Annuity



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Policy Form: DAGA99



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## Palladium

Group Fixed Annuity

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## Palladium Group Fixed Annuity

American National Insurance Company presents a fixed annuity contract designed exclusively for qualified pension and profit sharing plans. There is no initial charge against the premiums on this contract and there are no charges against the assets. This contract assures a return on your money by guaranteeing a minimum interest rate for the life of the contract.

In addition to the minimum guarantees, current market interest rates are declared by American National and are guaranteed for annual intervals from the date of each premium. There is no penalty for withdrawal of funds for a plan participant's retirement, death, disability, or termination of employment.

The plan participants are depending on their retirement funds. The Palladium® Fixed Group Annuity with its dependable returns can add protection and stability to more aggressive plan investments.

The foregoing is neither a contract nor an offer to contract, but is only a general description of benefits available under a policy providing the benefits outlined. The exact provisions, terms and conditions are set forth in detail in any such policy as may be issued. The Palladium® Fixed Group Annuity has limitations. For complete details contact your insurance agent.

Neither American National Insurance Company nor its representatives give legal, tax or accounting advice. If you need such advice, consult your attorney, accountant or personal tax adviser. Policy Form DAGA99

Palladium® Fixed Group Annuity

Not FDIC/NCUA insured	Not a deposit
Not insured by any federal government agency	
No bank/CU guarantee	May lose value

## Palladium Group Fixed Annuity at a Glance

- \$5,000 minimum initial premium
- \$1,000,000 maximum initial premium without prior approval
- 3% minimum interest guarantee for the life of the contract
- current interest rates guaranteed for one year intervals from the date of the premium
- surrender charges from the date of issue of the contract as a percentage of the withdrawal\*:

Year	1	2	3	4	5	6	7	8	9+
%	10	9	8	7	6	5	4	2	0

\* Note: surrender charges are waived for plan distributions due to a participant's retirement, death, disability, or termination of employment.



# Request for Pension Proposal

Name of Representative \_\_\_\_\_

Address \_\_\_\_\_

Phone (        ) \_\_\_\_\_

Fax (        ) \_\_\_\_\_

E-mail \_\_\_\_\_

Name of Business \_\_\_\_\_

Tax Status  Incorporated

Unincorporated

Date of Incorporation \_\_\_\_\_

Date business began \_\_\_\_\_

Tax Year End \_\_\_\_\_

Approximate Contribution Desired \$ \_\_\_\_\_

*(Percent of pay or dollar amount)*

Any current pension plan in force?  Yes  No

*(If so, supply details on a separate sheet.)*

Do the owners have ownership interests in other businesses?  Yes  No

*(If so, supply details on a separate sheet.)*

Additional comments related to plan design such as type of plan desired, which employees to favor, flexibility desired in contribution level, etc.

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**Agent Use Only. Not For Use With The General Public.**

# Confidential Proposal Request Form

Proposal  
Request  
Form  
American  
National  
Insurance  
Company

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# Confidential Employee Census

Please complete on all employees even if not included in the plan.

Name	Date of Birth	Date of Hire	Salary	See Note below and check if:		
				Part Time	Ownership Percentage	Relationship to Owner

Note: "Part Time" means that the employee works less than 1,000 hours per year. List "Ownership Percent" of all Owners. State family relationships to Owner(s) such as spouse, child, parent, etc.

**Pension Sales Fax # 409-766-6995 Pension Sales Web Site <http://www.img.anicoweb.com/pension>**

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# Pension Administration Fee Schedule

Policy Forms: PWLU-CSO, GLPWLU-C, DAGA99, GUVAP03



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# Pension Administration Fee Schedule

Effective For 2010 Plan Year

## For Plans With 25 or Fewer Lives

### Installation:

Prototype Plans.....	\$250
Individually Designed .....	\$500

*Individually designed plans will be submitted to the IRS for a letter of determination.  
The client will be responsible for the IRS filing fee in addition to our plan installation fee.*

### Annual Administration:

Defined Benefit .....	\$1500
"One Person" Defined Benefit .....	\$1400
412(e)(3) Defined Benefit.....	\$800
"One Person" 412(e)(3) Defined Benefit .....	\$700
Profit Sharing.....	\$700
New Comparability Profit Sharing .....	\$800
"One Person" 401(k) .....	\$400
Safe Harbor 401(k) .....	\$900
Safe Harbor 401(k) with New Comparability .....	\$1000
401(k) Profit Sharing .....	\$1200
Cash Balance.....	\$2000

## For Plans With 26 to 300\* Lives

### Installation:

Prototype Plans.....	\$350
Individually Designed .....	\$600

### Annual Administration:

Defined Benefit .....	\$1400
Profit Sharing .....	\$500
New Comparability Profit Sharing .....	\$600
Safe Harbor 401(k) .....	\$700
Safe Harbor 401(k) with New Comparability .....	\$800
401(k) Profit Sharing.....	\$1000
Cash Balance.....	\$1800
All plans, add per eligible employee.....	\$10

### Assumptions:

- 401(k) ADP/ACP Test performed annually after close of year
- ANICO prototype document is used
- ANICO life insurance and or annuity products used for funding

Variable products are offered and distributed through Securities Management and Research, Inc. (SM&R), Member FINRA, SIPC, a subsidiary of American National Insurance Company, 2450 South Shore Blvd., League City, Texas 77573. Phone number 281-334-2469.

\*For cases over 300, contact Pension Sales at 1-888-909-6504 for quotes.

