

Defined Benefit Plan

FACT SHEET

Defined Benefit Plan Overview	
Tax Advantages	<ul style="list-style-type: none"> • Employer contributions are tax deductible • Employees pay no income taxes on contributions or earnings until benefits are received by the participant or their beneficiary • Flexible distributions are available through employee-controlled periodic payments from a "rollover" IRA
Plan Features	<ul style="list-style-type: none"> • Employees covered under a collective bargaining agreement can generally be excluded • Eligibility requirements can include up to age 21 and two years of service (1,000 hours each year) • Benefits are determined according to the formula specified in the plan (usually a percentage of compensation) • The maximum benefit is 100% of the average of a participant's three highest consecutive years compensation, subject to a \$280,000 annual limit (2025) • The age-weighted benefit formula generally provides older participants with a substantially larger benefit • The benefit formula can be integrated with Social Security (permitted disparity) to provide larger benefits to higher paid employees • Top-heavy minimum benefits are required if the total "present value" of the key employees' accrued benefits exceed 60% of the total present value of all employees • Contributions are actuarially calculated each year • Ownership of an employee's benefit can be tied to a vesting schedule based on years of service • The participant's vested benefit is generally payable upon retirement, severance from employment, disability or death • Taxable distributions due to disability, death or after age 55 and severance from employment avoid the IRS 10% early withdrawal penalty • Non-owner employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the later of the IRS RMD age or retirement
Contributions (Employer Only)	<ul style="list-style-type: none"> • Contributions are required • Actuarial funding methods are available to provide either a contribution range (minimum and maximum amounts) or a required contribution amount • Contributions must be made before the earlier of the due date (including extensions) of the employer's tax return or 8½ months after the plan year end
Plan Suitability	<p>Defined Benefit Plans are favored when the employer:</p> <ul style="list-style-type: none"> • Has the ability to make required contributions • Wants to increase older, higher-paid participants' retirement benefits • Wants to contribute more than the 25% Defined Contribution Plan limit • Has older key employees • Wants to attract and keep Key Employees
Advantages of a Defined Benefit Plan	<ul style="list-style-type: none"> • The employer's deduction can exceed 25% of the participants' aggregate compensation • A participant's annual funding can exceed \$70,000 • Older, higher-paid employees can receive larger retirement benefits

Your path *To and Through Retirement*[®] begins here.

Talk to your financial professional to see whether a Defined Benefit Plan
can complement your retirement portfolio or contact us at 800.888.2461.

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