

Cost/ Benefit Analysis Of Establishing A Retirement Plan
(For entrepreneurs and employees of professional firms)

Defined Benefit Pension Plan

		Plan Participants		
		A	B	C
1)	Taxable Income	\$180,000	\$250,000	\$350,000
2)	Estimated Tax Payment*	\$41,000	\$64,000	\$97,700
3)	Annual Plan Contributions	\$60,000	\$80,000	\$120,000
4)	Adjusted Taxable Income: 1) – 3)	\$120,000	\$170,000	\$230,000
5)	Estimated New Tax Payment*	\$23,800	\$37,800	\$57,400
6)	Tax Payment Reduction: 2) – 5)	\$17,200	\$26,200	\$40,300
7)	Pension Plan Set-up Costs	\$2,500		
8)	Annual Plan Administration Cost	\$1,100		
9)	1 st Year Net Saving: 6) – 7) – 8)	\$13,600	\$22,600	\$36,700
10)	2 nd Year And After Saving: 6) – 8)	\$16,100	\$25,100	\$39,200

401(K)/ Profit Sharing Plan

		Plan Participants		
		D	E	F
1)	Taxable Income	\$120,000	\$150,000	\$180,000
2)	Estimated Tax Payment*	\$23,800	\$32,200	\$41,000
3)	Annual Plan Contributions**	\$40,000	\$40,000	\$40,000
4)	Adjusted Taxable Income: 1) – 3)	\$80,000	\$110,000	\$140,000
5)	Estimated New Tax Payment*	\$13,600	\$21,100	\$29,400
6)	Tax Payment Reduction: 2) – 5)	\$10,200	\$11,100	\$11,600
7)	401(K) Plan Set-up Costs	\$1,500		
8)	Annual Plan Administration Cost	\$800		
9)	1 st Year Net Saving: 6) – 7) – 8)	\$7,900	\$8,800	\$9,300
10)	2 nd Year And After Saving: 6) – 8)	\$9,400	\$10,300	\$10,800

* 2003 Federal Tax Rates

** Maximum contribution limit for defined contribution plans