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Corporate Tax Deductible Non-Qualified Benefit Plan for the Independent Pharmacy Owner by Stratos Wealth Partners

Stratos Wealth Partners' advanced planning concepts, such as the corporate tax deductible non-qualified benefit plan, allows owners to maximize their income and reduce their taxes paid, while building assets for their future.

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Stratos Wealth Partners
Elevating Financial Strategies

Company Background

Stratos Wealth Partners, headquartered in Beachwood, Ohio, is an independent, partner owned and operated financial services firm. We define our success by assisting successful pharmacy owners working towards their goals. We strive to elevate the meaning and purpose of advanced wealth and tax mitigation planning by affording our clients the opportunity to experience it on an entirely new level. We have built a reputation in the pharmacy industry around advanced planning strategies for our clients. Stratos is led in the pharmacy space by partner Jeremy Thompson, CFP® who has been addressing the needs of Independent Pharmacy Owners across the country for more than a decade. Jeremy and his team provide a comprehensive spectrum of services to address the complex financial needs of Independent Pharmacy Owners, their businesses and their families.

Product Overview

Do the following topics concern you?

- Increased Income Tax Environment and the amount of Income Taxes you're paying.
- The amount you're able to contribute to your Qualified Retirement Plan.
- The inability to establish a benefit plan solely for you, as the owner, or key employees on a tax deductible basis.
- A cost effective Life Insurance Solution with tax advantages.
- Inconsistent investment returns.

If so, it's time to better understand there could be a plan through your business that will allow you, as the owner, to counteract the inefficiency of a qualified plan, higher tax rates and inconsistent investment returns. The corporate tax deductible non-qualified plan/Restricted Property Trust is an employer sponsored plan for owners and/or key employee(s) that provides a 100% corporate tax deduction and only a 30% tax inclusion for the owner/employee or key employee. Resulting in a net current tax deduction for the owner/employee of 70%. This is a non-qualified plan so it does not have to be offered to any other employee of the corporation. Any corporate entity such as a C-corp, S-corp, LLC (filing as a partnership or S-corp for tax purposes) or partnership are eligible to implement this type of plan, Sole Proprietorships are not.

The annual contribution limit is tied to "reasonable compensation". It may allow a high-income-earning pharmacy owner to contribute several hundred thousand dollars per year or more over a 5, 10 or 15 year period. In the event a participant should die prior to completing the funding of their plan; a death benefit will be paid to the named beneficiaries. Thereby self-completing the plan design.

These plans are strictly governed, in order to achieve the benefits of the strategy. The plan is subject to the rules governing "property transferred in connection with goods and services". If the owner is deemed to have "constructive receipt" of the property or control over the asset, there is no current tax deduction. This is called a "substantial risk of forfeiture" and that is what prevents the plan from being considered deferred compensation and preserves the ability for the current tax deduction by the business.

If a business owner has consistent earnings, the plan may be able to potentially address challenges. By allowing the business owner to put themselves in their own benefit plan, 100% of plan contributions can go to his/her benefit. The plan allows for a current tax deduction to purchase life insurance. This combination may allow for a steady and conservative rate of return on the dollars contributed while mitigating an unknown future tax risk that is inherent with qualified plans.

This plan is not a fit for everyone. Individuals seeking the advantages of this strategy must have a five-year horizon and strong, consistent cash flow. If the company is unable to make the annual contribution to the plan, the assets inside the plan are forfeited to a qualified charity that the owner names at the beginning of the plan. However, if the non-qualified tax deductible benefit plan fits your business, it can play an integral role in helping you work towards your personal financial goals.

Features & Options

Restricted Property Trust: 100% of the contribution goes to you, the owner; your business receives a 100% tax deduction on the contribution; you pay tax on 30% of this amount; you decide how much to contribute; the plan assets are protected from creditors; does not interfere with your other qualified plan assets or contributions; the plan's funds are allocated to a whole life insurance policy; a death benefit is provided for family or partners.

Why is this allowed: Selected contribution amount is fixed; minimum term of 5 years; failure to comply results in amounts accumulated being forfeited and donated to client directed charity; illiquid during chosen term length; the assets never revert back to the corporation.

Ordering Information

For more information please contact Jeremy Thompson, CFP® at jthompson@stratoswp.com or call (440) 505-5598.

Any discussion pertaining to taxes in this communication may be part of a promotion or marketing effort. As provided for in government regulations, advice (if any) related to federal taxes that is contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

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