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# Personal Pension Trust
## A Tax Deductible Plan for Business Owners Only

The Personal Pension Trust ("PPT") is a way for highly taxed business owners to mitigate income taxes and safely grow assets. The PPT plan allows for substantial Pre-Tax Contributions (Tax Deductible Savings), Tax Deferred Growth, and Tax-Free Distributions. Any corporate entity other than a Sole-Proprietor is eligible, and ***only*** Shareholders/Partners are allowed to utilize the PPT. Because the PPT is not subject to ERISA, participation and contribution limits do not apply.

A minimum funding period of 5 years is required with a minimum annual contribution of $50,000. Further plan funding must be done in additional 5 year increments. The ***maximum contribution is based on what is considered "reasonable and customary"*** for the level of income earned. For multiple Shareholders/Partners, each may elect their contribution levels, or even elect not to participate in the plan.

We all recognize that income taxes can't be avoided, only deferred and minimized. Plan contributions are 100% tax deductible to the business entity, while the participant is required to *report as income up to 30%* of the contribution. Assuming a maximum 50% tax bracket, the effective tax cost on the plan contribution would be 15%.

At plan termination when the funds are distributed, that portion that was tax deducted is then taxed. However, *the 30% initially taxed along with the growth attributable to that amount*, is ***received entirely income Tax-Free***, and this can be as much as 45% to 50% or more of the amount distributed.

While all of the above probably sounds too good to be true, lets address the bad news. It is always give and take with the IRS, and the IRS never allows a good thing without attaching some conditions to it. The most significant downside is that the ***IRS requires a "substantial risk of forfeiture"***. The PPT plan meets this test in three ways.

***First***, the plan must be funded and exist for no less than 5 years; any extensions must be in 5 year increments. ***Second***, the funds held in the plan must not be accessible until the end of each 5 year term. ***Thirdly***, if funds are not contributed in the exact amount in each of the five years, the funds that were contributed to the plan are then lost. These conditions satisfy the IRS requirement of a "substantial risk of forfeiture".

The related tax code for the PPT is Section 419 and 419(A) and is technically classified as a *Welfare Benefit Plan*. There are 21 applicable sections of the tax code for the PPT plan. There have also been two IRS rulings stating that the PPT plan is compliant. Deductions are allowed under section 83 and 162. The plan provides an administrator without cost for reporting the annual tax filing, making it seamless and entirely turnkey.

Welfare Benefit Plans have been around since 1928 and come in many forms. Today some 34 States currently use Welfare Benefit Plans for State employees. All Welfare Benefit Plans must somehow be related to *"welfare"*, whether death, disability or disease.

The IRS has issued guidance on funding options which allowed the use of a cash value life insurance policy which is compliant with the IRS guidelines. The policy is designed to accumulate substantial cash values, and provide a tax-free death (*"welfare"*) benefit. PPT assets are *creditor protected* while the plan is active.

At plan termination the policy is transferred to the participant and *the tax liability is paid by the tax-free portion of the policy cash values*. The participant may then continue to hold the policy and the cash values will continue to grow tax deferred (without any further contributions). The policy cash values can then provide ***tax-free income*** for a specified period, or taken in a lump sum tax-free payment. Each participant may choose their personal income preference.