

# Becoming Successful Takes Hard Work... ...Staying Successful Takes Planning

- Allen Robinson, Licensed Financial Planner



It used to be that if you had a good product and provided solid customer service, you could pretty much count on being successful. And while product and service are still critical to the success of any business or professional venture, other variables – chief among them increased competition for key employees – can make maintaining and building on that success difficult.

Consider your own business. Your success didn't happen overnight. More likely than not it took careful planning, attention to detail, and a lot of hard work. And if your business or practice is like most, the contributions of a few key employees – yourself included – are probably responsible for the lion's share of your success. That's part of the reason why more and more business owners are looking for creative ways to reward and retain their key people. Unfortunately, government regulations can make it difficult for businesses to reward one select group of people without doing something for everyone.

**So how do you build on your success and reward the people who work hard, year after year, to make that success happen?** One answer may be through the use of a welfare benefit plan designed especially to help small business owners and professionals provide themselves and select, key employees with substantial life insurance protection, medical benefits, or other optional benefits.

## Why life insurance?

Life insurance is one of the most remarkable financial tools ever developed. Life insurance proceeds can be used to:

- Help families maintain their lifestyle and pursue their objectives following the loss of a major breadwinner.
- Fund the purchase of a co-owner's share of the business following his or her pre-mature death.
- Pay estate taxes and other expenses, allowing personal and business assets to pass to an individual's named beneficiary intact.

## How can a 419 Plan help business owners?

Generally referred to as a "Section 419 Plan" after section 419 of the Internal Revenue Code, the plan is available to owners of C corporations, sub-chapter S corporations, limited liability corporations -- it is not available to sole proprietors. It allows for the purchase of life insurance on owners and selected key employees using company dollars. The benefits to business owners are many and include:

- Plan contributions (policy premiums) for participants are considered a tax-deductible business expense.
- Policy cash values grow free from current income taxes.
- You can provide yourself and select key employees with substantial life insurance benefits that, with proper planning, can pass to named beneficiary(s) income tax-free and possibly estate tax-free.
- You can limit participation in the plan to just owners of the business and/or select participants.
- You can accommodate your company's cash flow needs by choosing from a variety of flexible funding alternatives. Typically, universal or variable\* universal life policies are used because of their premium flexibility.
- All plan assets are sheltered from the claims of creditors, be they business or personal.
- Your plan can be integrated into any existing business continuation and estate plans, buy/sell agreements, and/or personal estate plans you or your employees may already have established.
- The only "cost" to plan participants is the income tax due on a small portion of plan contributions equal to the "economic benefit" of the life insurance protection.. Some employers choose to provide employees with a "bonus" equal to this amount of the tax.

**BOTTOM LINE:** you and your key employees are very likely the backbone of your past, and current, success. By protecting them, yourself, and your business with life insurance, you can help ensure your company's future success as well.



WEALTH SOLUTIONS



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As a financial planner, Allen has more than 15 years of experience in providing strategies for clients in wealth development, wealth protection and wealth transfer. With a diverse background and numerous licenses, Allen can provide services related to employee-employer benefits, key-man strategies and outplacement resources. For more information, **contact Allen directly at 713.968.1606.**

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## Key Features of a 419 Plan

- Premiums Are Tax Deductible
- Participation Can be Limited
- Assets Are Sheltered