

# Non Qualified Retirement Plan for Physicians

How can a non qualified retirement plan for physicians work? (This is a rough overview so you can understand the general concept )

## 1. A Non-Qualified

Plan is defined by the IRS as a plan for which the IRS does not require reporting. As such, it does not require the physician to provide matching contributions for employees.

This

means the physician can defer as much money as the physician can afford into their own independent and separate retirement plan. (as opposed to a

Qualified Retirement Plan).

## 2. So now let's look at one

such plan. Before you read the details that follow, please note the basic premise of this plan. You can put \$1,000,000 to work for you on Day One (1) to start earning interest – rather than starting your retirement plan with increments of say \$5000 a month (\$3000 after taxes). Think of it like a snow ball. You can start with a \$3000 snowball rolling down the hill or you can start with a \$1,000,000 snowball rolling down the hill. Which one will grow faster?

## 3. Let's say the physician

wants to contribute \$60,000 a year to retirement. (\$5,000 a month) then these are the basic steps.

## 4. The clinic is provided a

loan; let's say for \$1,000,000 from a lending institution. (We know lending institutions already structured for this.)

## 5. The clinic is responsible for

making the interest payment (6% Simple Interest). This will be \$60,000 for the year and will be paid as an expense of the clinic.

## 6. The cost to the clinic

will be \$60,000 of which \$24,000 is tax deductible - so actual costs are \$36,000.

## 7. The physician may have to

pay income tax on the \$36,000 so the maximum potential out-of-pocket cash for the physician would be roughly \$14,000.

## 8. Since the loan is between

the clinic and the physician, the physicians CPA will help to determine reporting requirements.

## 9. The physician will then

place the \$1,000,000 in an indexed annuity that will generate a return of 7% compounding interest. This is VERY conservative. Our estimates are based on the annuity being maintained for 20 years. Since the indexed annuity is based on average stock market returns, then a 10% return can be expected if the indexed annuity is maintained for 20 years. If the physician invested the money in a

zero coupon bond, then the return will be a minimum of 12%.

## 10. The lending institution

will not require a personal guarantee from the physician if a UCC filing is submitted against the clinic BUT not the clinic's receivables. The lending institution will also attach to the indexed annuity or the zero coupon bond as secondary protection for their loan.

11. At the end of a 20 year term, and after only \$14,000 per year out of pocket, the \$1,000,000 will go back to the bank and the physician will walk away with the compounded interest. (Click the link to see full details).

RECAP: \$14,400 (+ income tax) per year will net you \$2,125,684 in 20 years.

7% compounding return will net the physician \$2,125,684

10% compounding return will net the physician \$4,983,499

12% compounding return will net the physician \$7,902,293

12. Now let's consider the alternative. The physician pays \$60,000 per year out of pocket and invests in the same indexed annuity with compounding interest. The results are as follows:

RECAP: \$60,000 (+ income tax) per year will net you \$1,626,274 in 20 years.

7% compounding return will net the physician \$1,626,274

10% compounding return will net the physician \$2,411,893

12% compounding return will net the physician \$3,191,103

These are amazing returns. If you would like to find out more, then simply email us your contact information and we will have the lending institution promptly contact you. The group that contacts you will have many 'satisfied customer' references – available upon request.