

# Defined benefit plans (group)

Defined benefit plans are qualified retirement accounts that pay a specific benefit at the plan holder's retirement age. These plans can be an excellent option for companies with older employees who wish to accumulate assets rapidly, or for high-revenue companies and small businesses that can afford to make higher contributions.

## Advantages of a defined benefit plan



**Tax deductions:** Contributions to an individual defined benefit plan are a deductible business expense and offer the largest deductions available under current tax laws.



**Investment options:** The investment committee has greater flexibility in making investment decisions than with other retirement plan designs.



**Asset protection:** Plan assets are protected from creditors under current federal guidelines.



**High benefit limits:** Maximum retirement benefit of 100 percent of average compensation for the three consecutive years in which the participant's compensation was the highest, up to a maximum of \$280,000 for 2025 (it increases to \$290,000 in 2026).



**Known benefit amount:** Unlike with defined contribution plans such as 401(k)s, employees know how much they will receive at retirement.



**Ability to combine with defined contribution plans:** Can contribute maximum allowed amounts to a defined contribution plan and still fund a defined benefit plan.

## Other defined benefit plan considerations

- Require actuarial projections and administrative maintenance, making these plans more expensive to establish and administer.
- Quarterly contributions required.
- The employer bears 100 percent of the investment risk, and mandatory annual contributions are subject to market volatility.
- The employer is responsible for investment management, actuarial calculations, and annual contributions.
- Subject to ERISA reporting.
- May require coverage by the Pension Benefit Guaranty Corporation.

Securities and investment advisory services are offered through the firms: Osaic Wealth, Inc. and Osaic Institutions, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through Osaic Services, Inc. and Ladenburg Thalmann & Co., broker-dealers and members of FINRA and SIPC. Advisory services are offered through Ladenburg Thalmann Asset Management, Inc., Osaic Advisory Services, LLC. and CW Advisors, LLC., registered investment advisers. Advisory programs offered by Osaic Wealth, Inc. are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser.