

MADISON PENSION SERVICES | CASE STUDY

KNOWLEDGE IS POWER:

The Value in Getting a Second Opinion

OVERVIEW

A successful Manhattan ophthalmologist sponsored a 401(k) plan for his employees. His wife ran a thriving boutique eyeglasses company within the practice. The 401(k) plan had no employer contributions and the doctor's accountant advised him that the deferral limit, which was then \$16,000, was not meaningful enough for him and his wife to bother using. The accountant further advised him that because he had many employees working in his practice, that there was no qualified retirement plan or combination of plans that would ever make sense for them.

As the doctor lived in Manhattan and paid an enormous amount in Federal, State, and City income taxes, they felt that there was a solution to their dilemma, though they did not know where to find it. He shared his frustration with another Manhattan physician who was (and still is) a client of Madison Pension Services. The physician's colleague agreed that there was likely a viable solution and recommended that he immediately reach out to Madison Pension Services. The Madison Pension team identified the couple's goals which were straightforward; they hoped to reduce their current income taxes and save a meaningful amount for retirement on a cost-effective basis. A review of the census of the doctor's employees and their current 401(k) plan allowed Madison Pension Services to confirm that the doctor's accountant had given him misguided advice. The ultimate question was: **"how much did the couple want to put away?"** Madison Pension Services would take care of the rest.

CLIENT STATEMENT

"We had been advised that a retirement plan would not make economic sense for us. I always felt that advice was incorrect and that was confirmed when I was introduced to David Gensler and Madison Pension Services. Once we were confident that David understood our goals, his team got to work. They redesigned our 401(k) plan and recommended that we add a second retirement plan, called a cash balance plan. We are able to now save a considerable amount for retirement and significantly reduce our income taxes. Our employees are receiving a level of contributions that we find acceptable and they are happier since they are now receiving a bit more in employer contributions than they were before. So for us and our staff, this has been a win/win."

- Doctor/Principal



APPROACH



After diagnosing their objectives, Madison Pension Services was able to tap into their extensive history of designing plans for medical practices to create a customized retirement solution. As the couple had both the desire and the means to contribute substantially to retirement plans, based on their objectives, Madison Pension Services designed and recommended a “combo plan” consisting of a redesigned 401(k) plan and a cash balance plan.

RESULT



Had the couple not sought an opinion beyond that of their accountant, they would have missed this opportunity. A consultation with Madison Pension Services resulted in a partnership and results that have far surpassed their expectations. The contributions of the doctor and his wife represent over 93% of the overall contribution. Beyond plan contributions, the doctor was extremely pleased to learn of a second benefit that he was not previously aware of. Assets that are accumulated in both plans are creditor proof, as long as they remain in a qualified plan or are rolled over to an IRA where the assets came from a qualified plan. Given the litigation risk associated with his profession, it gave the doctor great comfort to know that the assets being accumulated in his two retirement plans were off limits to creditors.

ABOUT THESE RESULTS

Madison Pension Services determines all solutions on a case-by-case basis, allowing the team to design a successful retirement plan(s) tailored to meet your individual goals. Regardless of how much you are looking to put away, the Madison team will develop a custom solution with the flexibility to be modified should your objectives change. The Madison team has an extensive history of successfully servicing customers across countless industries, all with vastly different financial circumstances and contribution amounts.