



Innovative

MYTH SERIES

**#4 EMPLOYER PROFIT-
SHARING DEDUCTIONS
MUST BE RECOGNIZED
IN THE YEAR THE
CONTRIBUTION IS MADE**

THE PROBLEM:

Due to changes in GAAP accounting rules, a client was going to experience a loss for their 2017 fiscal year, but expected to have a sizeable profit for their 2018 fiscal year. Management was concerned that the company would not benefit tax-wise from making their 2017 Profit Sharing contribution because they were already going to have a loss. Yet, since ownership and executives were expected to receive over 90% of the contribution, they didn't want to forego the contribution.

THE SOLUTION:

The client contacted Innovative to review their situation. Innovative led a discussion about the employer's expected 2018 financial performance and devised a solution so the plan sponsor/company could deduct their 2017 plan year contribution in the company's fiscal year 2018, where they would benefit from the full deductibility. They were also able to deduct their 2018 plan contributions in fiscal year 2018, basically providing a double deduction that year.

This approach allowed the client to receive significant savings by maximizing the tax efficiency of their Profit Sharing plan. They were able to fund significant contributions to the executives' plan without losing the company deduction. For the owners, their money will continue to grow tax-deferred in future years.

Innovative can serve as your strategic partner and help maximize tax benefits by coordinating the tax advantages of your Profit Sharing plan with your overall corporate tax strategy.

Feel free to contact Innovative for a free, no obligation review of your retirement plan and see if these advanced strategies would benefit your organization.

FAST FACTS

- For-profit company with multiple owners
- 125 employees across multiple states/countries
- Customized Profit Sharing consulting services

HOW WE HELPED THE CLIENT



Maximized tax benefits for the owners, key executives and company



Coordinated the tax benefits of the Profit Sharing plan with corporate objectives



The client was able to fund significant plan contributions for their key employees



PARTNERING WITH YOU TO PROVIDE SOLUTIONS

Employee Benefits | Retirement Plans | Wellness | HR Consulting

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