

# THE 401<sub>Rx</sub> RETIREE HEALTH PLAN



## *Finally... A tax advantaged Post-Retirement Health Plan you can count on!*

Concerns about how to meet the rising cost of post-retirement health care is a frequent topic of conversation from the factory floor to corporate board rooms. Many professionals and small business owners question whether they will be able to save enough money for general retirement needs, not to mention retiree health care costs.

The 401Rx Retiree Health Benefit Plan® offers employers the opportunity to design a personalized Retiree Health Plan to match their primary business objectives. Employers may select the desired type or level of benefits from an “a la carte” menu to design a package that maximizes their ability to meet future projected needs.

### **Compliance Information:**

The 401Rx Plan® is a single employer welfare benefit plan designed and administered in compliance with ERISA. Although the plan is subject to the reporting, disclosure and fiduciary protections of ERISA, welfare benefit plans are not subject to the contribution limitations, vesting and non-discrimination rules.

**Contributions** to the plan are determined annually by the Plan Actuary and are within the limits of Internal Revenue Code sections 419 and 419A. Under these rules an employer is permitted a deduction for the Qualified Direct Cost of providing benefits for the current year, plus an additional amount that is contributed to a Qualified Asset Account. It is this reserve feature which allows employers to currently deduct the amount necessary to fund future retiree health care costs that are ordinary and necessary business expenses under IRC Section 162.

Contributions for **Key Employees** will limit their eligible contributions to a defined contribution plan under Code section 415. Such Key Employees, however, have the ability to opt out of The 401Rx Plan® so as not to impact their section 415 limitations. In some situations, however, eligible contributions under The 401Rx Plan® may exceed the qualified contributions available under Code section 415.

Employer contributions to the plan are excluded from employees' income pursuant to Code sections 104 and 105. Furthermore, under Code section 213 benefits are not taxable when used to pay for qualified medical expenses.

### **Plan Overview:**

**Customization** is the key word in retiree health care planning and The 401Rx Plan® is the vehicle of choice for professionals and small to mid-sized business owners. As a single employer plan, each employer is able to personalize many key elements including, level of benefits, contribution amounts, contribution timing, classes of excluded employees, and the funding and investment vehicles. The 401Rx Plan® is not a multiple employer plan and employer contributions are not commingled with those of other employers.

**Retiree Health Benefits** must be provided for all employees on a nondiscriminatory basis pursuant to Internal Revenue Code section 505(b). However, employers may exclude certain classes of employees. Although all employees must be included, the ability to fund for various type of benefits assures each employer the ability to design a benefit package for virtually any contribution level desired.

**Pre-Retirement Death Benefits** are not subject to the nondiscrimination rules of Code section 505(b) and therefore can be provided for employees on a selective basis.

**Funding** for the future benefit obligation is provided through the purchase of one or more life insurance policies. Typically these policies are only on the lives of key employees who also receive a preretirement death benefit. Since contributions are held in a taxable trust, municipal bonds also make an attractive investment since, like life insurance, they allow for tax free growth.

### **For More Information and to Obtain a Quote Contact:**



**(800) 939-0644 Ext.2  
or your Financial Advisor**

**[www.AlliedRiskGroup.com.com](http://www.AlliedRiskGroup.com.com)**



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## *Overview of Plan Benefits*

The 401Rx Retiree Health Benefit Plan® provides employers the ability to fund for any one, or more, of the six specified types of post-retirement health care benefits.

- A. **Medicare Part B Premiums** – The amount reserved is the sum which is actuarially projected to be necessary at the selected Retirement age for an employee to pay Post-Retirement Medicare Part B Premiums.
- B. **Medicare Deductibles and Co-Pays** – The amount reserved is the sum which is actuarially projected to be necessary at Retirement age for an employee to pay Post-Retirement medical expenses, which are not covered by Medicare Parts A and B. These are expenses typically covered through a Medicare Advantage or Medigap insurance policy.
- C. **Medicare Part D Premiums** – The amount reserved is the sum which is actuarially projected to be necessary at Retirement age for an employee to pay for a Medicare Part D prescription drug insurance policy through such employee's projected mortality.
- D. **Medicare Part D Deductibles and Co-Pays** – The amount reserved is the sum which is actuarially projected to be necessary at Retirement age for an employee to pay Post-Retirement prescription drug expenses, which are not covered by a Medicare Part D insurance policy.
- E. **Vision and Dental** – The amount reserved is the sum which is actuarially projected to be necessary at Retirement age for an employee to pay Post-Retirement vision and dental expenses, which typically are not covered under Medicare.
- F. **Long Term Care** – The amount reserved is the sum which is actuarially projected to be necessary at Retirement age for an employee to pay for Long Term Care insurance expenses, which typically are not covered under Medicare. There are three different levels of Long Term Care funding available with The 401RX Plan®:
  - a) **Silver** – This benefit would fund a LTC insurance policy which provides a benefit duration of five years, 90 day elimination period, monthly skilled nursing or assisted living facility benefit of \$4,500, non-facility care (home care or adult day care) at 80% of the facility care rate, and informal care (care provided by family and friends) at 50% of the facility rate.
  - b) **Gold** – This benefit would fund a LTC insurance policy which provides a benefit duration of five years, 60 day elimination period, monthly skilled nursing or assisted living facility benefit of \$6,000, non-facility care at 100% of the facility care rate, and informal care at 50% of the facility rate.
  - c) **Platinum** – This benefit would fund, based upon current costs, a LTC insurance policy which provides a lifetime benefit duration, 20 day elimination period, monthly skilled nursing or assisted living facility benefit of \$9,000, non-facility care at 100% of the facility care rate, and informal care at 50% of the facility rate.

Employer contributions to the Plan create a fund from which benefits may be paid for employees and spouses. It is important to note that The 401Rx Retiree Health Benefit Plan® is based upon a “defined contribution” model, as distinguished from a “defined benefit” model. As such, the Plan does not promise that specific types of retiree health benefits will be provided or that specific type of insurance policies will be obtained. Rather, the Plan creates a fund from which benefits can be paid, either directly to retirees as reimbursement, to health care providers, or through the purchase of insurance, consistent with the requirements of IRC section 213.



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