Corporate Compensation Plans, Inc.

CCP Announces a New Security Program to Protect Law Firm Partners' Retirement Plans

Danbury CT, July 7, 2009, Corporate Compensation Plans Inc. (CCP) announced today a new Retirement Security program to protect retirement benefits in the 401k, profit sharing, and defined benefit pension plans of law firm partners.

"It is not uncommon to see Partners deferring in excess of $100,000 a year into these plans," said Philip Davis, president of CCP, "As a result it is critically important that they eliminate risks that can cause the loss of their contributions and their plan assets."

CCP has identified the most serious of these risks to be pre-retirement disability and the costs of extended health care.

"The first risk to Partners' plans for retirement," said Tracy Shaw, Senior Vice President at CCP, "is a pre-retirement disability. When that occurs, contributions to the disabled Partners' retirement savings and investment plans stop, resulting in the potential for severe losses in their expected retirement assets. For example, a 45-year-old partner who is deferring $100,000 a year into his qualified retirement plans, can expect to have $4,100,000 by age 65, assuming a 6.5% investment return. Yet, if totally disabled, he could have nothing in his account at age 65 because his deferrals will have stopped. Even a short-term disruption in savings and investing due to an injury or illness – for 3 or 5 years – can have a devastating effect. This temporary inability to work and contribute can reduce overall accumulations by 35 to 40%."

The second risk to nonqualified plan assets is the cost of long-term health care, which can exceed a million dollars from conditions such as strokes, Multiple Sclerosis, Alzheimer's, or the injuries from a serious accident. Costs of this magnitude can decimate a Partner's retirement income and force the family to liquidate assets, including qualified plan accumulations, in order to maintain their standard of living.

To insure against these risks CCP has designed an insurance program with two components.

The first is a special disability insurance plan that continues Partners' contributions, up to $150,000 a year, when they become disabled so retirement assets grow just as if they had continued working. This component of the Retirement Security Program can be designed to pay benefits into the Partners' qualified plan accounts, into separate nonqualified trust accounts, or the disabled Partner to be invested.

The second component is a long term care insurance plan that protects Partners' qualified plan assets and income against the high costs of extended health care. A portion, or all, of the premium can be tax deductible, with some states offering tax credits. The policies can include a premium refund feature that guarantees premiums won't be wasted if long-term care is never needed.

In addition, both components of the Retirement Security Program can be offered to the firm's staff and attorneys.

"Many Partners – like most Americans – have suffered severe reductions in their retirement plan accounts as a result of the bear market," said Philip Davis, "Making it critically important that they insure against risks that have the potential of creating even more devastating losses."

About Corporate Compensation Plans

For more than 25 years Corporate Compensation Plans has provided innovative, tax-advantaged benefit plans – and the systems to support and administer them – to many of the nation's largest companies and law firms. These plans are specifically designed to help employers in their ongoing efforts to attract and retain the top talent needed to effectively compete in today's global economy.

Contact

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