



DIRECT RECOGNITION VIPs OFFER NEW INVESTMENT OPTIONS FOR PROFESSIONAL FIRMS

November 2010

As year-end draws ever closer, professional firms are again looking to establish or modify qualified retirement plans in order to maximize deductible contributions for partners, shareholders, and other key people.

Direct Recognition VIP (VIP stands for **v**ariable **i**nvestment **p**ension **p**lan), offered exclusively by Chernoff Diamond, is a tax-qualified “cash balance”-type retirement plan designed for partners and shareholders of professional firms (law firms, medical practices, hedge funds, private equity, investment banking, asset management, architects, etc.) that want large tax deductible contributions *without* the underfunding risk and complications associated with traditional defined benefit and cash balance plans.

The annual contribution limit for most plans is \$49,000 (\$54,500 if age 50) per person. Direct Recognition VIP permits partners/shareholders to make annual tax deductible contributions up to \$280,000 per person per annum. Contributions are customizable based on objectives.

Take, for example, a plan that Chernoff Diamond recently designed for target employees. The partners had been evenly contributing a total of \$365,000 annually to their pension plan. The new plan design allowed the partners to contribute at different levels depending on their individual needs. They increased the employer contributions to staff by approximately \$43,000, but the target employees realized increased contributions of approximately \$356,000.

There is still time to establish a VIP for a large 2010 tax deductible contribution that need not be funded until 2011.

To learn more about Direct Recognition VIPs and other plans offered by Chernoff Diamond, please call John Grace at (516) 247-3426, or e-mail jgrace@chernoffdiamond.com.