



# Real Estate Producers Guide



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[www.agentbenefits.net/agenttools](http://www.agentbenefits.net/agenttools)

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# Who to contact if you have a question?

**\*\*AXA-Advisors.com email addresses should be used for all communications regarding AXA business. Agentbenefits.net email addresses should be used for all communications regarding outside business activities, specifically including the group insurance benefits.**

For group benefits (Dental, Vision, Group Life and Disability)

Contact Claire Rightler/Alyssa Barsony

P: (856) 751-2690 | F: (856) 396-3193 | E: abarsony@agentbenefits.net  
P: (856) 751-2691 | F: (856) 396-3193 | E: claire@agentbenefits.net

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For tax accounts

Contact: Tiffanie Bowman

P: (856) 751-2705 | F: (856) 795-1035 | E: tbowman@agentbenefits.net  
AXA Email: tiffanie.bowman@axa-advisors.com

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For marketing materials, websites, and emails blasts

Contact: Daniel Soto

P: (856) 751-2684 | F: (856) 795-1035 | E: dsoto@agentbenefits.net  
AXA Email: daniel.soto2@axa-advisors.com\*\*

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For your monthly commissions or issues with the auto contribution program

Contact: TBD

P: (856) 751-2663 | F: (856) 795-1035 | E: TBD@agentbenefits.net  
AXA Email: TBD.TBD@axa-advisors.com\*\*

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For participation agreements, AXA Network appointments, and copies of AXA files

Contact: Brittany Leonard

P: (856) 751-2714 | F: (856) 795-1035 | E: bleonard@agentbenefits.net  
AXA Email: brittany.leonard@axa-advisors.com

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For Shana's calendar

Contact: Jillian Corda

P: (856) 751-2708 | F: (856) 795-1035 | E: [jcorda@agentbenefits.net](mailto:jcorda@agentbenefits.net)  
AXA Email: [jillian.corda@axa-advisors.com](mailto:jillian.corda@axa-advisors.com)

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General Questions

Debra Broudy, Part-Time Office Assistant

P: (856) 751-2696 | F: (856) 795-1035 | E: dbroudy@agentbenefits.net

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## **Our General Information**

**Address:** 210 Lake East Drive, Suite 310, Cherry Hill, NJ 08002

**Main Phone:** (866) 738-9003 | **Main Fax:** (856) 795-1035

**Insurance Dept Phone:** (888) 564-0300 | **Insurance Dept Fax:** (856) 396-3193

**Alex's AXA Agent ID:** 014283

**Dergalis Associates Intranet:** <http://www.agentbenefits.net/agenttools>

*To find the most current tax, retirement, and marketing forms please use the above site.*

# Disability Discount Program

## Disability: Mass Mutual

Mass Mutual provides a 25% discount on individual disability insurance along with uni-sex rating. Uni-sex rated policies translate into approximately a 40 - 50% discount for women.

To obtain a quote or assistance on a proposal please call the following and identify yourself as a Dergalis Associates representative:

Ina Beckman  
Mass Mutual  
(610) 766-3073  
ibeckman@finsvcs.com

You will need to get appointed with Mass Mutual in order to sell this product, be sure to ask about appointment paperwork.

## Instructions for New AXA Products

### Splitting Cases

For all AXA business, including cases through AXA Equitable, LPL, AXA Network, Crump, etc, Alex should be listed on the case for 30%.

**AXA Equitable:** Alex's agent ID is 014283 and should be listed for 30%

**LPL and Direct Funds:** Use your 70/30 split ID with Alex throughout

**AXA Network and Crump:** Before taking an application, you must confirm with our office that Alex is appointed with the carrier in your state. If Alex is not appointed, we will take the necessary steps to get the appointment. When you verify the appointment, our office will give you Alex's agent ID with the requested carrier so that you can list him for 30% on the application.

**\*\*Failure to verify Alex's licensing and appointments in advance of an application may result in additional paperwork to be completed by the client.\*\***

### Signature Requirements

In an effort to streamline our operations, AXA has agreed to waive certain signature requirements for Alex Dergalis. Please follow the specific instructions below when completing applications for these products:

#### For Accumulator, Retirement Cornerstone, and Structured Capital Gains

Write Alex Dergalis along with his agent code 014283 and his participation amount of 30%.

In the remarks or special instructions section, add the following:

*"Alex Dergalis signature not required per Jim O'Boyle"*

#### For Momentum 401(k)s

Write Alex Dergalis along with his agent code 014283 and his participation amount of 30%.

In the remarks or special instructions section, add the following:

*"Alex Dergalis signature not required per Keith Castagne"*

#### PLEASE NOTE

- These are special exceptions that were made for Dergalis Associates only. Occasionally a processor may not see your instructions, simply guide them to the instructions if they call.
- Though we were able to obtain these exceptions, it is still imperative that each agent sends a copy of all paperwork, including risk profiles & fact finds, to our office for our files!



## Putnam Tax Account

# Putnam Tax Accounts

**Tax account:** Money market at Putnam Investments offers free checking, unlimited check writing, no minimum balance requirements and there are no fees for checks.

Automatic contribution program designed to provide a disciplined way to put money away for the agent's quarterly tax liabilities.

Below is the schedule of fees when opening a new account:

January \$55.00	May \$35.00	September \$15.00
February \$50.00	June \$30.00	October \$10.00
March \$45.00	July \$25.00	November \$5.00
April \$40.00	August \$20.00	December \$60.00

\*\$5.00 per month charge to Realty Benefit Services for administration services. Fee is collected via ACH draft for monthly services to Jan of the coming year. \$60 annual fee is then collected on the first business day in January via ACH from agents personal checking or savings account. Notice is sent approximately six weeks prior to ACH.

Cancellations or changes to the realtor's participation percentage can take up to two weeks for the accounting department to process. Additionally, changes can **never** be made on a per settlement basis.

## How to Get Paperwork

Dergalis Associates has available a forms package which includes all of the paperwork required to complete the tax account. Please visit <http://www.agentbenefits.net/agenttools> to download the complete tax account forms package.

## How to Process Paperwork

*Deductions from the realtor's commission check will not begin until all steps are completed. See tax account package checklist for requirements. We will open the LPL account on Branchnet. Be sure to keep a complete copy for your client files.*

The initial payment will be an automatic bank draft from Putnam. To initiate an initial draft from the client's bank account, you will need to process the tax account as follows:

For your convenience, Putnam tax packages can be found on the following link [http://docs.agentbenefits.net/agenttools/ALL\\_Tax\\_Account\\_Forms\\_Package.pdf](http://docs.agentbenefits.net/agenttools/ALL_Tax_Account_Forms_Package.pdf)

1. Provide the ABA routing number and Bank Account Number for the client's bank account in Section 5A (page 3) in the Putnam Tax Account application to allow for the initial draft to be transferred from the client's checking or savings account. **You will also need to include a voided check.**
2. Scan and email the entire packet with a voided check to Dergalis Associates.

3. Once the Putnam account is established, we will send a **Welcome Email** to you and the client. In addition, we will email you the new Putnam account number.
4. Add the Putnam account number to the top left hand corner of the Automatic Contribution Agreement and fax the completed form to the real estate company's accounting department. Keep a copy of the fax confirmation for your records.

## How to Track Client Accounts

Log on to **www.putnaminvestments.com** using your DST Vision ID and password to access individual accounts. You can search by client name, social security number or account number.

## Common Service Issues

1. **Client needs more checks**
  1. Client can call Putnam client service @ 800-225-1581**\*\*\* Important to remind clients- All checks are sent from a third party (not Putnam or Dergalis Associates) to their address of record! Checks come as a sheet of 10 checks in a plain envelope, not a book.**
2. **Client wants to change contribution percentage or stop future contributions**
  1. Use the Automatic Contribution Agreement to select the new percentage
  2. Fax the new agreement to the real estate company's accounting dept to make the in their system. Keep the fax confirmation in the client's file.
  3. Fax the new agreement to Dergalis Associates (856-795-1035)**\*\*\* Important to let clients know that it can take up to 2 weeks from their request for the accounting dept to make the change. Additionally, changes can never be made on a per settlement basis.**
3. **Client wishes to close the Tax Account**
  1. Follow above steps to stop future contributions.
  2. Contact Putnam's **broker-only** line (800) 261-1103 to have the balance sent to the address of record.**\*\*\* Do NOT have the client write himself a check as interest can accrue in the interim leaving a balance of pennies.**
4. **Client wants to restart automatic contributions**
  1. Verify that the old account is still open and able to accept contributions by calling Putnam's **broker-only** line (800) 261-1103. Putnam will keep accounts open at a zero balance for 365 days. If the account is no longer open, you must follow the complete instructions for opening a new account.
  2. For accounts still open, collect an Annual Fee Agreement, Automatic Contribution Agreement, check payable to Realty Benefit Services (see chart on the Checklist for Putnam Tax Accounts), and a voided check.
  3. Mail all originals to Dergalis Associates in NJ. Be sure to keep a complete copy for your files.
  4. Fax the new contribution agreement to the real estate company's accounting dept to make the in their system. Keep the fax confirmation in the client's file.



## Retirement Plans

# Common Service Issues

## **1. Client wants to change contribution percentage or stop future contributions**

1. Use the Automatic Contribution Agreement to select the new percentage.
2. **Fax the new agreement to the real estate company's accounting dept to make the in their system. Keep the fax confirmation in the client's file.**
3. Fax the new agreement to Dergalis Associates (856-795-1035). **\*Please note that we only need this form for our files and we do not send to the accounting dept\***

**\*\*\* Important to let clients know that it can take up to 2 weeks from their request for the accounting dept to make the change. Additionally, changes can never be made on a per settlement basis.**

## **2. Client wishes to close their Retirement Account**

1. Follow above steps to stop future contributions.
2. Contact the fund company and follow their account closing procedure.

## **3. Client wants to restart automatic contributions**

1. Verify that the old account is still open and able to accept contributions by calling the fund company. If the account is no longer open, you must follow the complete instructions for opening a new account.
2. For accounts still open, have the client complete an Automatic Contribution Agreement.
3. **Fax the new agreement to the real estate company's accounting dept to make the in their system. Keep the fax confirmation in the client's file.**
4. Fax the new agreement to Dergalis Associates (856-795-1035). **\*Please note that we only need this form for our files and we do not send to the accounting dept\***

# SEPs – EquiVest, LPL Brokerage, and Putnam



Ideal for new or fee conscious clients. Top producers with net income exceeding \$250,000 may want to use SEP instead of Uni k because of same maximum and no fees.

## Application checklist

### Equivest SEP Required Forms

1. Build a kit in edox.
  - Log onto AXA,
  - On the 'Quick Links' pull-down menu, select 'edocs'
  - Select 'Build Kits' in top, blue menu bar
  - At the 'Select Kit' Menu, use the pull-down menu select 'Annuity'
  - Product Group: use the pull-down menu and select 'Equivest'
  - Product: pull-down menu and select 'Equivest'
  - Market: pull-down menu and select 'Equivest SEP'
  - In addition to the default required forms, you must add the Plan Enrollment Kit and Risk Tolerance.
2. Retirement Account Automatic Contribution Agreement (from the Agent Tools website)
3. Copy of check with check receipt  
**\*\*\*If an Equivest is not funded within 180 days, the contract terminates and all new paperwork is required to open a new contract. If the client does not have an upcoming settlement, it is highly recommended that they make a contribution to initially fund the account to preserve the account number.**

### LPL Brokerage SEP Required Forms

1. Completed F1- Brokerage Retirement (F1BR) application
2. Retirement Account Automatic Contribution Agreement (from the Agent Tools website)
3. AXA approved fact find and risk tolerance

### Putnam SEP Required Forms

1. Completed F1- Brokerage Retirement (F1BR) application
2. SEP IRA Account Application (Putnam website)
3. Prototype Simplified Employee Pension Plan (Putnam website)
4. Retirement Account Automatic Contribution Agreement (from the Agent Tools website)
5. AXA approved fact find and risk tolerance

## Processing

1. Establish account per your standard procedure
2. Add the account number to the top left hand corner of the Automatic Contribution Agreement
  - For Equivest, this is the 9 digit contract number (do not use unit number)
  - For LPL, this is the 8 digit number
  - For Putnam, this is the 4 digit fund number AND the 9 digit account number (do not use LPL number)
3. Fax the completed form to the real estate company's accounting department. Keep a copy of the fax confirmation for your records.
4. Send Dergalis Associates copies of **all** paperwork (fax to (856) 795-1035 or scan and email)

## SEPs offer several advantages

### You can establish a SEP and contribute to it after year-end

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You have until the due date of your business's federal income tax return (including extensions) to set up a SEP and make contributions. In contrast, an ordinary IRA contribution can't be made later than the due date of your federal income tax return, without regard to extensions (generally April 15). So, if you're self-employed, you could potentially have until October 15 for federal income tax purposes to make a SEP contribution to your SEP-IRA.

**TIP:** Other types of employer-sponsored retirement plans generally must be established by the end of the business's tax year if the business is to take a deduction for contributions made for that year.

### Contribution/deduction limits are high

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For current year's contribution limits to an employee's SEP-IRA, please refer to the current IRS guidelines.

### A SEP does not preclude you or your employees from establishing or contributing to a separate IRA

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In addition to any contribution made by the sponsoring business to your SEP-IRA, you and your employees can each contribute up to the annual maximum (plus an additional catch-up contribution for those age 50 or older) to either the SEP-IRA or separate IRA accounts. For exact contribution limits, please see current year's IRS guidelines. However, bear in mind that in any year for which SEP contributions are made, you and your employees participating in the SEP are considered to be covered by an employer-sponsored retirement plan. That means the deductibility of traditional IRA contributions will be subject to the IRA phase-out rules.

### Employer contributions can be made after age 70½

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You can make contributions to the SEP on behalf of your employees after they reach age 70½, and even for yourself after age 70½ as long as you continue to have self-employment income. In contrast, contributions to a traditional IRA can't be made past age 70½.

**CAUTION:** The required minimum distribution rule applies to a SEP. Therefore, although contributions to a SEP-IRA may be made after age 70½, minimum distributions must start by April 1 of the year after you reach age 70½.

### Pretax dollars are contributed and grow tax deferred

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The dollars invested in the SEP are pretax dollars. That means that your employees can exclude your employer contributions from their gross income. In addition, the funds can grow income tax deferred.

# Momentum Solutions Owners Only 401(k)



Best for agents wanting a larger tax deduction than what a SEP allows, and when access to loans is a valuable consideration. Good for rollover opportunities since the plan makes rollover money available to loan provisions. Clients may have life insurance in their plan, but not to exceed limits. See [www.individualk.com](http://www.individualk.com) for easy comparison of funding

\*Note- 401(k)s are opened with an EIN number, not a SSN.

## Account fees

\$250 annually to \$250,000 of assets

\$300 annually when plan assets exceed \$250,000 (includes filing of form 5500EZ)

Clients are sent two invoices and a final notice for the annual Momentum fees. If they do not pay the invoice, the fees are then automatically withdrawn from the client's account.

## Application checklist

1. Completed Momentum Owners 401(k) kit.  
(For kits contact Momentum @ 866-401-3030, option 1)  
\*\*When completing the adoption agreement, be sure to check the box to allow loans.
2. Retirement Account Automatic Contribution Agreement
3. AXA approved fact find and risk tolerance

## Processing

1. Establish account per your standard procedure
2. Add the account number to the top left hand corner of the Automatic Contribution Agreement. This should be the number starting 9168.
3. Fax the completed form to the real estate company's accounting department. Keep a copy of the fax confirmation for your records.
4. Send Dergalis Associates copies of **all** paperwork (fax to (856) 795-1035 or scan and email)

# LPL Brokerage 401(k) with Siegel Benefits as TPA

## Account fees

\$125 initial set-up

\$250 annually to \$250,000 of assets

\$400 annually when plan assets exceed \$250,000 (includes filing of form 5500EZ)

## Application checklist

1. Completed F1- Brokerage Retirement (F1BR) application
2. Retirement Account Automatic Contribution Agreement (from the Agent Tools website)
3. AXA approved fact find and risk tolerance
4. Completed Siegel Uni 401k paperwork
5. Initial check for \$100 payable to "Siegel Benefits"

## Processing

1. Establish new account in BranchNet and record new account number.
2. Fax application and copies of Siegel paperwork to LPL. Then send all original Siegel paperwork with initial check direct to Siegel Benefits
3. Add the LPL account number to the top left hand corner of the Automatic Contribution Agreement.
4. Fax the completed form to the real estate company's accounting department. Keep a copy of the fax confirmation for your records.
5. Send Dergalis Associates copies of **all** paperwork (fax to (856) 795-1035 or scan and email)

## General 401(k) Info

### Compensation deferral

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As with any 401(k) plan you, as an owner-employee, are able to defer net earnings towards profit sharing. For exact amounts, please see current year's IRS contribution guidelines.

### Guidelines for Loans

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Additionally, like all 401(k) plans, solo 401(k) plans can allow loans, and may allow hardship withdrawals (withdrawals made prior to age 59 ½ may be subject to a 10 percent federal penalty tax). The maximum loan is 50% of account value up to \$50,000. Loans must be repaid monthly and may not exceed 5 years. Subsequent loans are subject to a 12 month wait from the date of your first repayment. In addition, there are fees for loan filing and loan tracking. In the case of a hardship withdrawal, the client may not make contributions to the account for 6 months from the time the hardship is claimed.

# LPL Brokerage Defined Benefit Plan with Siegel Benefits as TPA



Works great for high net worth or high family earners that are age 50+ and desire a tremendous deduction. Great life insurance sales opportunity as you can put up to either 35% of contribution or 100 times monthly benefit into permanent life insurance. Most people have never heard of this type of plan.

## Account fees

\$800 initial set-up

\$1100 annually

Fees are tax deductible as business expenses.

## Application checklist

1. Completed F1- Brokerage Retirement (F1BR) application
2. Retirement Account Automatic Contribution Agreement (from the Agent Tools website)
3. AXA approved fact find and risk tolerance
4. Completed Siegel Defined Benefit paperwork
5. Initial check for \$750 payable to "Siegel Benefits"

## Processing

1. Establish new account in BranchNet and record new account number.
2. Fax application and copies of Siegel paperwork to LPL. Then send all original Siegel paperwork with initial check direct to Siegel Benefits
3. Add the LPL account number to the top right hand corner of the Automatic Contribution Agreement.
4. Fax the completed form to the real estate company's accounting department. Keep a copy of the fax confirmation for your records.
5. Send Dergalis Associates copies of **all** paperwork (fax to (856) 795-1035 or scan and email)

## Defined Benefit Plan

Annual funding depends on age and income. Participants must fund every year as long as income remains relatively the same but may amend if income changes by more than 20%. Annual administration fees apply. Loans are available. New plans must be established by 12-31 and can be funded up to the tax filing deadline with extensions. Siegel can custom design plans to meet client's funding desires. This plan works best at age 50+ and for top producers!

If you'd like a retirement plan that guarantees a specified benefit level at retirement regardless of investment results, you may want to consider a defined benefit pension plan. A defined benefit plan is a qualified employer-sponsored retirement plan that is funded solely by the employer (in most cases); it's the traditional type of pension plan. A defined benefit pension plan allows the highest potential contribution amount of any plan. These contributions are excluded from income and grow tax deferred. In addition, contributions can be deducted from business income.

**TIP:** Generally, a defined benefit plan is most favorable for an employer that wants to maximize tax-deferred retirement savings for its older, long-term employees and that can afford to make large contributions.

## Who can establish a defined benefit plan?

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Just about any employer can set up a defined benefit pension plan for its employees. Still, this type of plan is most attractive to employers that have a small group of highly compensated owners (and no employees) who are seeking to contribute as much money as possible on a tax-deferred basis. That's because the plan allows large deductions, and most of the current contributions generally will be used to fund benefits for high-paid, older principals.

**TIP:** If you have younger employees, relatively little will be required currently to fund benefits for them. Because young employees have many years to accumulate their retirement benefits, relatively smaller current contributions are needed.

**TIP:** Traditional defined benefit pension plans are less common among employers than they used to be. As part of the corporate trend toward downsizing and cost cutting, some companies have eliminated these employer-funded plans in favor of 401(k)s and other defined contribution plans that are funded largely (or solely) through employee contributions. Other companies are converting their traditional defined benefit pension plans into "cash balance" plans, which have certain advantages for employees (e.g., portability in the event of a job change). A cash balance plan is a type of defined benefit plan that is discussed separately. For more information, see Cash Balance Plan.

**TIP:** Sole proprietors and other small business owners may also be interested in Section 412(i) defined benefit plans, which can produce larger initial deductions and simpler plan administration. See Questions & Answers for more information.

## How are employees' benefits determined and paid?

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Under a defined benefit plan, the amount of each employee's future retirement benefit is determined by using a specific formula set forth in the plan. The formula generally bases each employee's benefit on his or her compensation, age, length of service with the employer, or some combination thereof. In some cases, for example, the calculation of benefits may be as simple as multiplying the employee's number of years of service (up to a stated maximum number) by a flat dollar amount. More often, though, a defined benefit formula weighs an employee's final few years before retirement more heavily than the preceding years. For instance, an employer may promise to pay each employee a retirement benefit equal to a certain percentage of the employee's final three-year average salary, multiplied by the employee's number of years of service.

As employees retire, their benefits are paid to them from a pension trust fund that is used to hold all of the plan's assets. (In addition to retirement benefits, survivor benefits and/or disability benefits may be paid from the trust fund.) This is in sharp contrast to a defined contribution plan, such as a 401(k) plan. Typically, such plans give each participant an individual account whose value at retirement depends on both contributions made and the performance of plan investments.

## What are some advantages offered by defined benefit plans?

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- **You can make higher contributions to a defined benefit plan than to any other plan**

An actuary determines the appropriate contribution amount to ensure the guaranteed future payout. Your payout generally depends on such factors as your salary, age, and years of service with the company.

- **The plan provides a guaranteed pension benefit**

Benefits do not hinge on the performance of underlying investments. Instead, each participant receives the amount guaranteed under the plan. Retirement benefits are based on a formula. This formula can provide for a set dollar amount for each year you work for the employer, or it can provide for a specified percentage of

earnings. An actuary determines the appropriate contribution amount to ensure the guaranteed payout. If, during the course of the plan, it appears that this amount is not going to be adequately funded, the actuary must recalculate the contributions necessary to ensure that the guaranteed benefit can be paid.

- **Your contributions are tax deductible**

You may deduct contributions to the plan from your business's income in the year in which you make them.

- **Your contributions are tax deferred for your employees**

Contributions and earnings on plan assets are nontaxable to plan participants until plan distributions are made.

- **Your plan may be "integrated" with Social Security**

Basically, this means that you can (within specific limits) allow your plan to pay more to higher-paid employees. This is because benefits provided by a qualified retirement plan and those provided by Social Security are viewed by the IRS as one retirement program. Because Social Security provides a higher percentage-of-SALARY BENEFIT TO lower-paid employees, the IRS allows a qualified retirement plan to favor higher-paid employees within specific limits (this is referred to as "permitted disparity").

- **Loans can be made available to participants**

A defined benefit plan can be set up to allow participants to take loans from the plan. Generally, participant loans must meet the following conditions:

- They must not be made available to highly compensated employees in an amount greater than that available to other employees
- They must be made in accordance with specific loan provisions set forth in the plan
- They must carry a reasonable interest rate
- They must be adequately secured

## **What are some disadvantages associated with defined benefit plans?**

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- **You must make periodic payments to the plan regardless of whether your business is making a profit**

Regardless of how your business is performing, you must fund your traditional defined benefit plan on a quarterly or more frequent installment basis. Consequently, you should not establish a defined benefit plan if you have a business that might not have the cash to fund the plan in future years. You may be subject to substantial penalties by the IRS if you under fund the plan.

- **You must hire an actuary to determine how much you must contribute to the plan**

In order to operate a traditional defined benefit pension plan, you must enlist the services of an actuary to calculate how much you must deposit periodically to pay the promised benefit to each participant upon retirement. The actuary bases the amount of plan contribution on several factors, including:

- The retirement benefits promised by the plan
- The age, salary, and retirement age of the participants
- The mathematical projections ("assumptions") of:
  1. The interest to be earned by the plan assets
  2. Future salary increases of the participants
  3. The projected rates of turnover, disability and mortality of the plan participants

# 412 (i) Defined benefit plan: Fully insured defined benefit plan (see below)



May allow a large deduction between ages 40-50 as opposed to a traditional defined benefit plans which usually only benefits ages 50+.

Product: Quote through AXA Network, Lincoln Financial, New England Mutual and AXA Equitable

## What is a Section 412(i) plan?

A Section 412(i) plan is a type of defined benefit pension plan. Like all defined benefit plans, a 412(i) plan pays benefits to participants based on a formula set forth in the plan; a participant's compensation, age, and length of service may all be factored in. Also, like all defined benefit plans, a 412(i) plan is generally funded solely by the sponsoring employer.

What differentiates a 412(i) plan from other defined benefit plans is the way the plan is funded. While other defined benefit plans can be funded with a wide range of investment options, 412(i) plans are funded exclusively with insurance and annuity contracts. For this reason, they're often referred to as "fully insured" defined benefit plan.

Section 412(i) plans get their name from the section of the Internal Revenue Code (IRC) that defines them. IRC Section 412(i) provides that defined benefit plans funded exclusively with the purchase of insurance and annuity contracts (and meeting certain other requirements) are not subject to the minimum funding provisions of IRC Section 412. These minimum funding provisions include required annual actuarial calculations and mandatory employer contributions to sustain the minimum-funding requirement; a penalty tax is imposed for failure to comply with the minimum funding provisions.

## When is it appropriate?

A 412(i) plan should be considered whenever a defined benefit plan is appropriate. While almost any employer can set up a defined benefit plan for its employees, defined benefit plans may be most appealing to employers who have older, highly compensated owners and few non-owner employees, when the owners want to contribute as much as possible to their retirement on a tax-deferred basis, and when there is confidence that there will be adequate cash flow in future years. That's because defined benefit plans allow large deductions, and when an employer has few non-owner employees, most of the current contributions will generally be used to fund the benefits for older highly compensated principals.

412(i) plans may be more appealing than other defined benefit plans to employers who are willing to trade potentially higher plan investment returns and flexibility for the generally lower-risk, more predictable and easier-to-administer insurance and annuity contracts that fund 412(i) plans. 412(i) plans will also appeal to closely held employers who want to maximize tax-deductible contributions to a retirement plan in the early years of the plan. Like all defined benefit plans, employers must have the financial ability to support the plan on an ongoing basis; these plans are probably not appropriate for start-up companies.

## 412(i) plan requirements

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412(i) plans must meet all six of the following IRC Section 412(i) requirements:

1. The plan must be a defined benefit plan funded exclusively by the purchase of annuity contracts or a combination of annuity contracts and insurance contracts. The contracts must be purchased from an insurance company licensed by a state or the District of Columbia to do business with the plan.
2. The annuity and insurance contracts must provide for level annual (or more frequent) premium payments commencing on the date each individual begin participating in the plan and ending not later than the normal retirement age of that individual or, if earlier, the date the individual ceases participation in the plan.
3. The benefits provided by the plan must consist entirely of the benefits provided by the annuity and insurance contracts, and the insurance company must guarantee the benefits.
4. Premiums payable for the plan year and all prior plan years under the contracts must have been paid.
5. No rights under the annuity or insurance contracts may be subject to a security interest at any time during the plan year.
6. No policy loans may be outstanding at any time during the plan year.

**TIP:** For more information regarding these requirements, see IRC Section 412(i) and accompanying regulations.

## Using life insurance to fund the plan

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If life insurance contracts are used to partially fund a 412(i) plan, the amount of any life insurance coverage available is limited to an amount considered "incidental" to the purpose of the plan. This restriction is not limited to 412(i) plans, but applies to qualified plans in general. Nevertheless, this limitation is of particular importance when considering 412(i) plan funding.

**CAUTION:** Determining whether or not the amount of life insurance in a plan is incidental is complicated, and there are different ways to do it. For example, life insurance within a qualified pension plan is generally considered incidental if policy proceeds will provide a participant with a death benefit that is equal to or less than 100 times the participant's anticipated monthly normal retirement benefit. However, the incidental nature of life insurance can also be measured in terms of the percentage of plan contributions used to purchase the life insurance coverage. For additional guidance in this area, consult a retirement plan specialist.

**TIP:** 412(i) plans do not need to utilize insurance contracts—they can be funded completely with annuity contracts.

## Participant benefits under the plan

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As with all defined benefit pension plans, the amount of each participant's future retirement benefit under a 412(i) plan is determined by using a specific formula set forth in the plan. The formula generally bases each employee's benefit on his or her compensation, age, length of service with the employer, or some combination thereof. In the case of a 412(i) plan, the underlying annuity and insurance contracts provide the funding mechanism for the benefits.

In addition to normal retirement benefits, 412(i) plans commonly offer a death benefit. Where a death benefit is offered, the participant generally has the right to name his or her own beneficiary for the death benefit proceeds.

## Advantages to consider

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412(i) plans have the same advantages as other defined benefit pension plans. They allow higher deductible contribution levels than other types of employer-sponsored retirement plans, and they provide a guaranteed retirement benefit to participants. As with all qualified retirement plans, 412(i) plan assets are protected from the claims of creditors.

412(i) plans, however, offer some advantages over other defined benefit pension plans:

- The minimum funding rules of IRC Section 412 do not apply. This means that an employer who adopts a 412(i) plan does not have to employ an actuary to calculate funding requirements. Because of the manner in which it's funded, a 412(i) plan generally can't be under funded or over funded.
- The annuity and insurance contracts that fund 412(i) plans provide a stable, predictable rate of return guaranteed by an insurance company, effectively shifting the plan's investment risk to the insurance company. (Guarantees are subject to the claims-paying ability of the issuing insurance company.)
- 412(i) plans will generally allow greater up-front tax-deductible contribution levels than other defined benefit pension plans.
- 412(i) plans are generally easier and less expensive (on an ongoing basis) to administer than other defined benefit pension plans.
- 412(i) plans can provide participants with a limited amount of life insurance.

Using life insurance in your retirement plan: As an employer, you can use life insurance to fund your company's qualified retirement plan, within the following legal limits:

## In general

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The purchase or availability of life insurance must be uniform and nondiscriminatory for all employees.

## Defined contribution plans

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- Under a defined contribution plan, there is no limit to the face value of the policy. However, the percent of the total annual contribution that you can allocate to life insurance premiums varies with the type of policy.
- Term and universal life insurance--The amount you allocate to the premiums must be less than 25 percent of your total contribution to the qualified retirement plan
- Ordinary whole life insurance--The amount you allocate to the premiums must be less than 50 percent of your total contribution to the qualified retirement plan
- Combination insurance--All of the term or universal life premiums plus one-half of the ordinary whole life premiums must be less than 25 percent of your total contribution to the qualified retirement plan
- Profit-sharing plans--Profit-sharing plans are subject to the following special rule: You may completely invest company contributions accumulated in a profit-sharing plan for two years or more in life insurance

## Defined benefit plans

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Under a defined benefit plan, the following rules apply:

- Basic rule--The face value of the life insurance must be less than 100 times the expected monthly retirement benefit. For example, if a monthly retirement benefit of \$1,000 were expected, the maximum allowable life insurance would be \$100,000.
- Alternate rule--The total premiums for term or universal life insurance must be less than 33 1/3 percent of the assumed aggregate contributions that were made for the employee since he or she began participating in the plan. (The assumed aggregate contribution refers to a specific calculation distinct from the funding calculation.) For ordinary life insurance, the total premiums must be less than 66 2/3 percent of the assumed aggregate contributions.

## Strengths For employers

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- If an employee's life insurance policy under a qualified retirement plan is paid up at retirement, he or she may be able to avoid converting from group to permanent insurance. This could save you a substantial cost if you carry an experience-rated group policy, since the experience rating typically changes when a policy is converted.
- If an employee dies under a defined benefit plan and the life insurance proceeds equal the entire pre-retirement death benefit, you can use the remaining equity assets to reduce your future contribution to the plan.
- You can achieve a favorable long-term cost for a defined benefit plan with participating whole life insurance if you use the dividends to reduce the premium.
- You may be able to make a larger contribution and take a larger deduction if you include ordinary life insurance in a defined benefit plan. This can help you avoid restrictions you might otherwise face on qualified retirement plan benefits and contributions.
- You can provide a current benefit to your younger employees who may favor the life insurance benefit over the long-term retirement benefit.



## Group Benefits

# Group Benefits

## Highlights

Dental is offered through Metlife or United Concordia. Vision is offered through Metlife or Davis Vision.

Short & Long Term Disability is offered through Lincoln Financial.

- Short-term: Maximum coverage of up to 60% of 1099 gross income up to \$500 per week for up to 26 weeks following a 31 day elimination period.
- Long-term: Maximum coverage of up to 60% of 1099 gross income up to \$5000 per month for up to 2 years following a 180 day elimination period.

Life Insurance is offered through Lincoln Financial.

- Guaranteed issue **for new hires** is \$100,000 for agents under age 60. Agent can elect up to \$250,000 with evidence of insurability
- Guaranteed issue **for new hires** is \$25,000 for spouses under age 60. Spouse can elect up to \$50,000 with evidence of insurability.
- Guaranteed issue **for new hires** is \$5,000 or \$10,000 for dependent children.

## Enrollment Periods

Agents can enroll in the group **Dental and Vision** plans:

- During the annual open enrollment period each year
- During their new hire election period (their first 30 days with the real estate company)
- Within 30 days of a qualifying life event (examples include a marriage, divorce, birth, etc). Contact Claire to confirm if an agent's personal situation is a qualifying life event.

Agents can enroll in the group **Life and Disability** plans:

- Guaranteed Issue only during their new hire election period (their first 30 days with the real estate company)
- With Evidence of Insurability at any time. Approval over guaranteed amounts is subject to limited medical underwriting by Lincoln Financial.

## Processing

All applications are processed directly through our office. You must submit the following:

1. Signed application with effective date and your name clearly written at the top.
2. ACH deduction form with a voided check

**Note:** Realtors should not cancel current coverage until they receive confirmation that their new coverage is in effect. All the completed paperwork should be submitted to our office 15 days prior to the effective date.

# New Hire and Termination Processing



Working with new hires is a great way to build your book of business. Helping to install best business practices from the beginning will allow you to be an integral part of their success. Leverage the 30-day eligibility window on the group products to get their attention and be sure to look for rollover and Automatic Contribution Program opportunities.

Real estate companies report to us on at least a monthly basis their new and terminated agents. Terminated agents will be contact to explain their change in eligibility for both group and individual benefits.

Claire will email you on a monthly basis with the new hires for your company. **You are expected to call each of the new agents to introduce yourself and the program.** New agents must enroll in the group benefits within their new hire period, which will be included in the email you receive from Claire. She will also notify them via email and/or paper mail to ensure that they are aware of the benefits available and their individual deadlines for enrollment. The following is a sample of the new hire email:



## AXA Compliance Requirements

# Mandatory AXA Compliance Requirements

It is important to understand that by joining the Dergalis Associates team that you have joined an approved AXA DBA. As part of a DBA, some of the compliance requirements have changed.

## Client Files

For any product sold through AXA channels (i.e. AXA Equitable, LPL, AXA Network, Crump, etc), you must send the full client file to Dergalis Associates. It is important that our files stay as up-to-date as possible, including copies of client correspondence, so that we can always be current and compliant. To meet this goal, all paperwork should be sent up on at least a weekly basis.

A complete file should include a completed client profile including all required fields (don't forget net worth); risk tolerance when applicable; complete account or policy applications; copies of funding sources including transfer paperwork, copies of checks, and/or copies of transferring account statements; and any subsequent correspondence or paperwork. Please note that the client profile and risk tolerance should be updated at least annually.

## Office Presentations

Each presentation that you give is considered a seminar by AXA standards. Before using a new presentation, give your BCM a copy of the materials you will use (PowerPoint, handouts, etc). Each time you use this presentation, email your BCM the date and location where it was given and the number of attendees.

## Outside Business Activities

You have already received directions on how to update your Online OBA during using Pinpoint Portal. If you have not received these directions, please contact Shana immediately for the detailed instructions. If your BCM has any questions regarding the answers you listed for Dergalis Associates activity, you can direct them to Shana.

## Letterhead & Business Cards

Now that you are working under the Dergalis Associates DBA and soliciting products that are outside of AXA you must order new letterhead & business cards with the Dergalis Associates name. Dergalis Associates will assist you in obtaining your new stationary as follows:

1. We will provide you with a preliminary proof of the letterhead and business card for your approval.
2. Once you have reviewed the preliminary proof, we will handle the submission process with your local BCM.
3. Upon approval, you will be given one final opportunity to review the proofs before submitting to the printer with whom we have negotiated a discounted group rate.

**You may only use Dergalis Associates cards and letterhead when dealing with clients or prospects acquired through the Dergalis Associates program. You cannot use your "AXA Advisors" cards or letterhead (or any other DBA's stationary) when dealing with program prospects and clients!**



## Marketing

# Marketing

## To Find Your Personalized Marketing Pieces:

- go to **[www.agentbenefits.net/agenttools](http://www.agentbenefits.net/agenttools)**
- Click on Personalized Marketing
- Click the name of the real estate company you work with to launch a pop up window containing marketing materials, links to the company and Agent Benefits websites, and benefit packages.

*Bookmark your page for quick and easy access!*

## Posters

Colored 8.5" x 11" posters can be created for those of you who have an appropriate place to hang them within your assigned offices. Please let the Marketing Department know if you would like to have posters created.

## Monthly Email Blasts

Dergalis Associates sends an email to all of the real estate companies we work with on a monthly basis. Each month, we pick an appropriate topic and send a short blast promoting a product. Prior to the email being sent to the agents, the Marketing Department will send you an email detailing the topic of the month. This email will also include information on the date the email is scheduled to be sent so you can prepare yourself for a higher call/email volume. These email blasts have been very successful with generating leads and it is important that you read and understand the topic to better prepare yourself for questions.

## Open Enrollment

During the month of your company's Open Enrollment, three Open Enrollment emails will be sent to the agents: The first at the beginning of the month, a reminder mid-month, and a final reminder during the last week before enrollment closes. During the Open Enrollment month, we will not generate a monthly email blasts for your company as we want to concentrate on Open Enrollment for that period.

## Expired marketing pieces

Each marketing piece that is created for you has been approved through Compliance and carries an expiration date at the bottom of each piece. The Marketing Department renews marketing pieces on a regular basis, however, should you discover a piece that is expired, please notify the Marketing Department as soon as possible. The Marketing Department will submit the application to have the document re-approved and provide an updated marketing piece to you. It is important to destroy outdated pieces and have them replaced with updated versions to avoid issues with Compliance.

## Additional Marketing Needs

Requests can be made for additional marketing for Expos, golf tournaments, ads, etc. If you should need additional marketing, please submit the request four weeks in advance to give the Marketing Department an appropriate amount of time to create the piece and have it approved through Compliance.

## **Updates to your Marketing Pieces**

Please notify the Marketing Department immediately with any changes in your contact information to be sure all of your marketing is kept current.