

Case Study: John Smith Medical Practice Inc.

Plan Year Ending: **December 31, 2024**

Objective:

Maximize retirement contributions and tax efficiency for the practice owner while ensuring compliance and fair benefit allocation to staff.

Background:

"John Smith" Medical Practice Inc. is a successful closely held medical practice seeking to implement a **customized retirement plan that prioritizes pre-tax wealth accumulation** for ownership while rewarding staff, satisfying IRS nondiscrimination requirements and obtaining sizable tax savings.

Practice Goal:

Maximize Tax-Deferred Contributions

Fund future retiree healthcare via a 401(h) account

Plan Design Strategy

To accomplish the objectives, Wealth Excel designed an **advanced plan structure combining:**



401(k) / Profit Sharing



Defined Benefit Plan



401(h) Plan

Participant Name	Age	Compensation	401(k) Deferrals	Profit Sharing Allocation	PS %	Defined Benefit Allocation	401(h) Plan Allocation	Employer Total Contribution
Key Highly Compensated Employees								
Owner Doctor	62	330,000.00	-	19,800.00	6.0%	602,720.00	53,700.00	676,220.00
Spouse of the Owner	52	120,000.00	-	7,200.00	6.0%	-	-	7,200.00
Subtotal		450,000.00	-	27,000.00		602,720.00	53,700.00	683,420.00
Non-Highly Compensated Employees								
Employee 1	55	64,450.00	2,500.00	4,833.75	7.5%	-	-	4,833.75
Employee 2	51	51,000.00	3,750.00	3,825.00	7.5%	-	-	3,825.00
Employee 3	29	50,000.00	1,200.00	3,750.00	7.5%	-	-	3,750.00
Employee 4	45	98,000.00	22,789.11	7,350.00	7.5%	-	-	7,350.00
Employee 5	44	84,000.00	5,000.00	6,300.00	7.5%	-	-	6,300.00
Subtotal		347,450.00	35,239.11	26,058.75		-	6,000.00	32,058.75
Summary		797,450.00	35,239.11	53,058.75		602,720.00	59,700.00	715,478.75

Strategic Highlights:

Massive Owner Deduction & Wealth Accumulation

The plan delivered over **\$683,000** in tax-deductible contributions for the owner doctor through combined Profit-Sharing, Defined Benefit and 401(h) allocations - substantially **lowering taxable income**.

Minimal Cost for Employee Participation

The total benefit allocated to all five staff members was **\$32,058.75**, or less than 5% of the overall contribution pool - meeting IRS nondiscrimination rules while keeping staff benefit costs efficient.

Pre-Funded Medical Reimbursement

A **\$53,700** allocation to a 401(h) account helps pre-fund post-retirement healthcare benefits, creating long-term tax-free medical reimbursements for the owner.

Defined Benefit Integration

At age **62**, the owner leveraged maximum actuarial limits under the defined benefit plan rules to accelerate funding in the pre-retirement phase.

Cost Mitigation Through Tax Credits

The practice is eligible to claim up to **\$5,000 annually** for 3 years under the **Startup Cost Tax Credit**, plus receive an additional tax credit of up to **\$1,000** per eligible employee under the **Employer Contributions Tax Credit (SECURE 2.0, Section 102)** - reducing the net cost of implementing the plan.

Conclusion

The design demonstrates how advanced plan architecture can enhance retirement savings, tax efficiency, and post-retirement medical planning.

This is an ideal structure for closely held medical or professional firms seeking to convert high income into long-term tax-deferred and tax-free benefits.