

The Constitutional Plan Readiness & Demographic Assessment

Aligning Business Architecture with Long-Term Wealth

Created by SafeSimpleSound Financial Planning

Your S3 Qualified Plan Blueprint

Safe • Simple • Sound
Foundation-First Financial Wisdom

What You'll Discover:

- **Safe Vision Alignment:** Whether your current plan protects your assets or exposes you to unnecessary fiduciary risk.
 - **Simple Operational Reality:** How your specific cash flow rhythm dictates the *type* of plan you should have.
 - **Sound Demographic Strategy:** How to turn your employee census data into a “Both/And” wealth acceleration engine.
 - **Constitutional Advantage:** A clear path to resolving the tension between maximizing tax deductions and maintaining business liquidity.
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Part 1: The Vision-First Alignment Check

Instructions: Before looking at tax tables, we must look at the destination. Answer the following to determine if your retirement architecture supports your constitutional safe foundation.

The Safe Foundation Audit

Does your plan serve as a shield or a burden?

- **Asset Protection Priority:** Is your plan structure specifically designed to maximize ERISA protections against creditors and litigation, or was it set up purely for tax deferral?
- **Fiduciary Clarity:** Can you clearly explain your fiduciary responsibilities to the Department of Labor in one sentence? (If not, your foundation may be cracked).
- **Exit Strategy Integration:** Is the plan portable? If you sold the business tomorrow, would the plan complicate the sale or enhance the valuation?
- **Succession Logic:** Does the plan design support your intended successor, or does it create a liability they cannot afford to maintain?

S3 Insight: A qualified plan is not just a savings account; it is a separate legal entity. Safe planning ensures this entity protects the business owner rather than creating a regulatory trap.

Part 2: The Demographic & Cash Flow Audit

Instructions: Gather your raw data. This section applies Simple clarity to complex variables. Your answers here determine the mathematical feasibility of advanced designs (like Cash Balance plans).

Simple Operational Reality Check

Honoring the natural rhythm of your business.

1. Cash Flow Consistency

- **Stable:** Revenue is predictable; we can commit to mandatory annual contributions (Pension/Cash Balance territory).
- **Variable:** Revenue fluctuates; we need the option to skip contributions in lean years without penalty (Profit Sharing territory).

2. The Demographic Spread (The “Cross-Testing” Opportunity)

- **Owner/Employee Age Gap:** Are the owners/partners generally older (10+ years) than the average employee?
- **Staff Turnover:** Do you have a core group of long-term staff vs. a transient workforce?
- **Salary Disparity:** Is there a significant gap between owner income and entry-level staff wages?

S3 Insight: Many owners fear high employee costs. However, Simple analysis often reveals that if the owner is older than the staff, IRS “Cross-Testing” rules allow you to skew contributions heavily toward the owner while still passing non-discrimination testing.

Part 3: The Contradiction Resolution (Sound Wisdom)

Instructions: Identify where you feel “stuck.” In the S3 philosophy, we use Sound wisdom to resolve “Either/Or” dilemmas into “Both/And” solutions.

Do You Feel Forced to Choose?

- The “Wealth vs. Cost” Dilemma: “I want to save \$200k+ annually, BUT I can’t afford to contribute 5% to every employee.”
 - *The S3 Resolution:* A Cross-Tested Profit Sharing Plan. You don’t have to choose. You can maximize owner allocation while keeping employee costs at a sustainable, fixed percentage.
- The “Tax Break vs. Liquidity” Dilemma: “I want a huge tax deduction this year, BUT I’m terrified of locking cash away that I might need for operations.”
 - *The S3 Resolution:* A Cash Balance Plan combined with a 401(k). This allows high defined benefit contributions (for the deduction) alongside defined contribution components (for flexibility).

- The “Benefit vs. Burden” Dilemma: “I want to reward my team, BUT I don’t want the administrative nightmare of a pension.”
 - *The S3 Resolution: Safe Harbor 401(k) Designs.* These streamline compliance testing in exchange for specific, predictable employer contributions.
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Part 4: Your Constitutional Readiness Score

Based on your checks above, identify your current Business Phase.

Phase 1: Operational Stabilization (Not Yet Ready)

You checked “Variable Cash Flow” and struggle with “Fiduciary Clarity.”

Guidance: Do not start a Defined Benefit or Cash Balance plan yet. The risk to your Safe Foundation is too high. Focus on a Simple IRA or a basic 401(k) with discretionary matching until revenue stabilizes.

* **Educational Generosity:** Waiting is a valid strategy. Protecting cash flow is more important than a tax break that bankrupts the company.

Phase 2: Constitutional Integration (Ready for Growth)

You have “Stable Cash Flow” and a “Vision for Succession.”

Guidance: You are ready for a Profit-Sharing Integration. You need a plan that moves beyond basic deferrals and starts utilizing company profit to build wealth, but allows you to dial it back if the market turns.

* **Stakeholder Benefit:** This aligns employee rewards with company success.

Phase 3: Sound Optimization (Ready for Acceleration)

You have a significant “Age Gap,” “High Tax Pain,” and “Stable Revenue.”

Guidance: You are the prime candidate for a Cash Balance / Cross-Tested Hybrid. You are likely overpaying taxes and under-saving.

* **Competitive Advantage:** You can legally structure a plan that puts \$100k-\$300k away for owners annually, creating a massive tax shield and a rapid catch-up mechanism for retirement.

Your Next Steps: The S3 Action Plan

Immediate Action (Next 7 Days)

- The “Safe” Step: Locate your current plan document and your last Form 5500. If you cannot find them, or if you don't know who the “Named Fiduciary” is, this is your immediate priority.
- The “Simple” Step: Run a census report (Name, Age, Date of Hire, Salary) for all employees. This is the raw material for any advanced design.

Foundation Building (Next 30 Days)

- The “Sound” Step: Schedule a Constitutional Plan Discovery conversation. We will look at your census data and run a “feasibility illustration.”
- What We Look For: We will calculate if a “Both/And” design could increase your personal savings potential while stabilizing employee costs.

Insights Summary

Key S3 Differentiator: We do not sell “products.” We design Constitutional Architectures. We assess your business demographics first to ensure the plan you build today survives the test of time.

Educational Generosity Promise: Even if you do not partner with us, completing this assessment provides you with the fiduciary clarity needed to protect your business from regulatory overreach.

Stakeholder Synthesis: This assessment ensures that your plan serves the Owner (wealth), the Employees (security), and the Company (sustainability) simultaneously.

About SafeSimpleSound Financial Planning

Our Promise: To provide foundation-first financial wisdom that protects your assets, simplifies your life, and stands the test of time.

Educational Generosity Commitment: We believe that understanding ERISA and Fiduciary standards should be accessible to every business owner, not hidden behind hourly billing rates.

Contact Us: www.safesimplesound.com/contact

Our Philosophy: www.safesimplesound.com/philosophy

This document embodies S3's constitutional commitment to educational generosity. Whether you become a client or not, this framework provides genuine value for your retirement planning journey.

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