

# SHOULD I TAKE DIVIDENDS, A BONUS OR CONTRIBUTE TO A QUALIFIED PLAN?

Business owners with excess cash wrestle with these questions. What is the best way to remove money from a closely held business and turn it into personal dollars?

## CONSIDER THIS COMPARISON

	Corporate Dividends	Salary Increase or Bonus	Qualified Plan
Profits available for distribution	\$50,000	\$50,000	\$50,000
Corporate tax (21%)	\$10,500	\$0	\$0
Amount subject to Personal Income Tax	\$39,500	\$50,000	\$0
Personal Income Tax (28%)	\$11,060	\$14,000	\$0
Amount available for investment	\$28,440	\$36,000	\$50,000
After-tax Investment yield (7% gross)	5.04%	5.04%	7.00%
Total accumulated after 20 years	\$944,381	\$1,255,668	\$2,193,258
Personal Income Tax on Distribution (28%)	\$0	\$0	\$614,411
<b>Accumulated Wealth After 20 Years</b>	<b>\$944,381</b>	<b>\$1,255,668</b>	<b>\$1,578,847</b>

The tax advantages of the qualified plan can build more wealth by putting dollars that otherwise would be lost to taxes to work for the business owner.



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