

# Case Study: Traditional After-Tax Investing vs. Deferred Compensation Plan

Using a deferred compensation plan has **two advantages** over a traditional after-tax investment approach:

- 1. Invest Pre-Tax Money.** In a deferred compensation plan, you invest fees on a pre-tax basis. Thus, if you earn a \$1 million fee, you invest the full \$1 million rather than the after-tax amount (\$530,000 assuming a 47% combined tax rate). This allows you to invest your gross fee rather than the after-tax net fee.
- 2. Investment Grows Tax-Deferred.** In a deferred compensation plan, you do not pay taxes on gains so long as the funds are in the deferral account. In the after-tax investing approach, you must pay taxes on the gains earned each year.

The chart below illustrates the power of investing on a pre-tax and a tax-deferred basis.

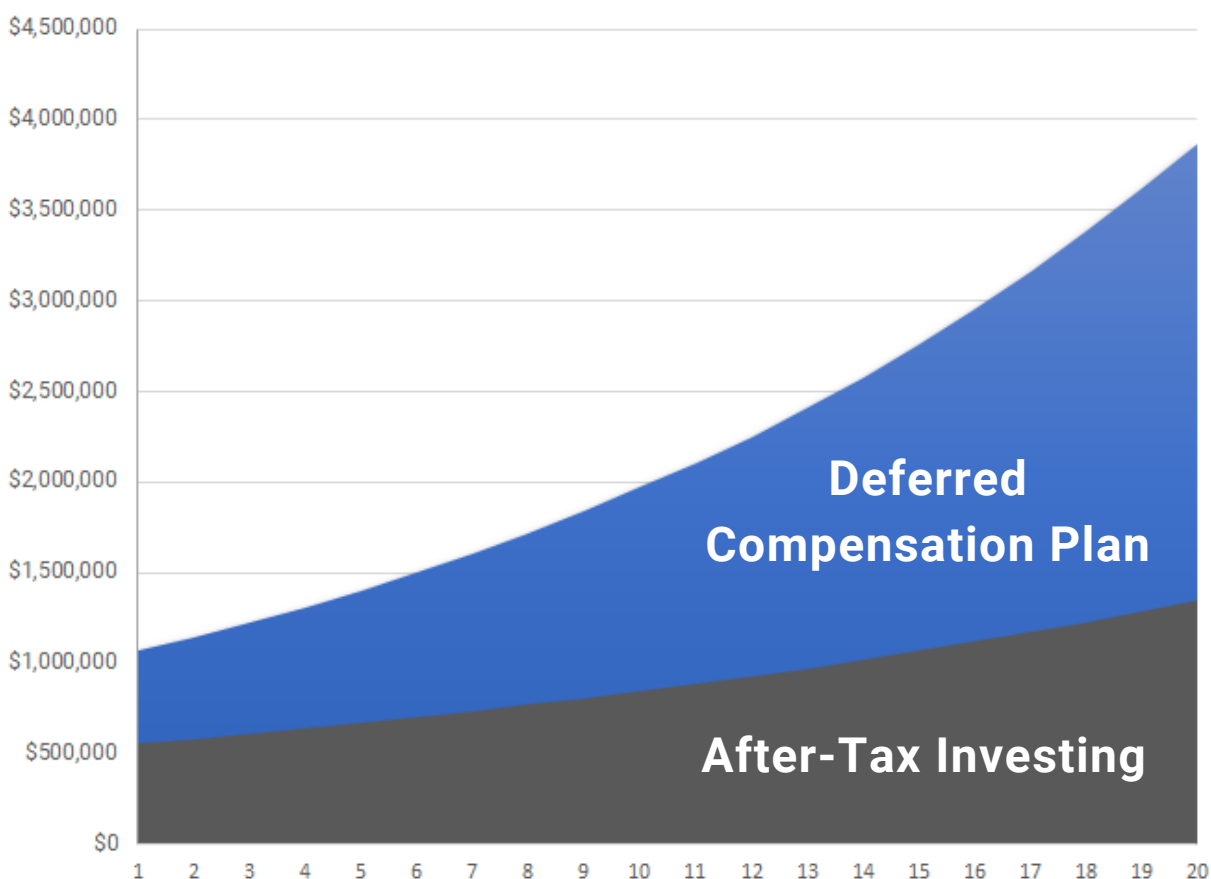


Illustration is a 9% annual return and a combined initial tax rate of 47%. The annual growth (for the after-tax investing scenario) is taxed at 24%. Illustration is inclusive of all fees.

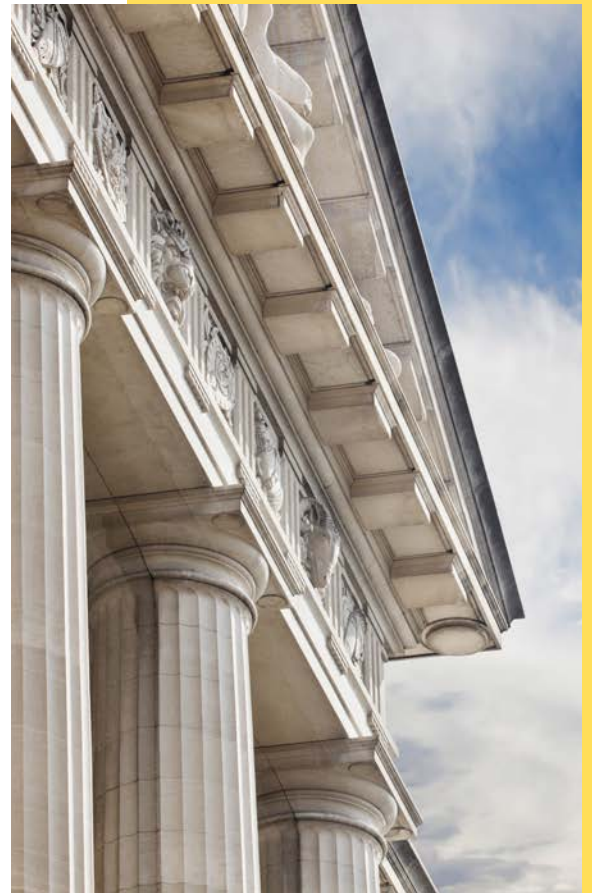
# WHY USE A DEFERRED COMPENSATION PLAN

Because contingency fee attorneys can defer (postpone) the receipt of legal fees on their cases to future years, you have the ability to invest your legal fees on a pre-tax and tax-deferred basis.

**Pre-Tax.** Rather than giving up a significant portion of your fee to income taxes, why not invest the entire, gross fee in an investment portfolio of your choosing?

**Tax-Deferred.** All the gains on investments in the deferred compensation plan grow tax-deferred, which allows for greater growth. In a traditional investment account, you would pay taxes on the gains every year, which reduces your overall return.

The comparison chart (see front page) illustrates the power of investing on a pre-tax and tax-deferred basis.



[AmicusPlanners.com](http://AmicusPlanners.com)

[Contact@AmicusPlanners.com](mailto:Contact@AmicusPlanners.com)

(801) 683-7362

## WHY WE ARE DIFFERENT

Most financial advisors are completely unaware of the unique tax planning opportunities available through deferring your legal fees.

At Amicus, we are attorneys and Certified Financial Planners. We focus **exclusively** on financial planning for personal injury attorneys and their clients. We understand the unique opportunities and challenges you face.

Contact us today for a no-obligation analysis of how much you could be saving (and investing pre-tax) by using your own, private deferred compensation plan.