

CASH BALANCE PLANS

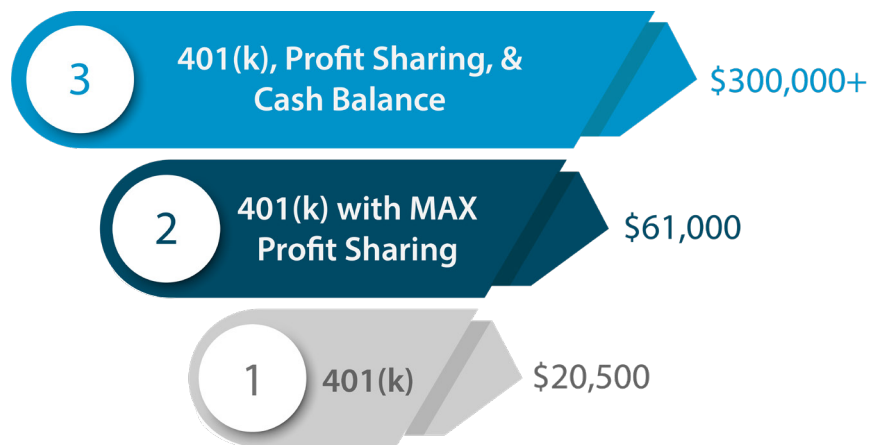


What is a Cash Balance plan?

A Cash Balance plan is a type of defined benefit plan used for additional tax savings with your 401(k) plan. This will increase the amount of money you can defer until retirement.

Who most often benefits from a Cash Balance plan?

- Physicians
- Dentists
- Attorneys
- Entrepreneurs
- High Income
- High Tax Bracket



How does a Cash Balance plan work?

A Cash Balance plan is funded with your business income. The amounts added each year depend on the ages of those participating. It is a requirement to include at least 40% of your staff (or a minimum of 50 total).

The account is pooled into one account for all owners and employees with an administrator accounting for each individual's benefit amount. This funding can take place up until you file your business tax return in the following year.

How is the money managed?

The money is typically invested in conservative investments to prevent overfunding and to reduce risk. The account will also receive an interest credit rate which can be a fixed amount or variable with the actual investment performance. It's important to remember this type of retirement account is mainly beneficial to lower taxes on the higher amounts being added.

When will I be able to access the money?

The IRS retirement age is 59.5 years old. However, It's important to discuss this when designing your plan. Your administrator will be able to help you select the best option for your company. There are IRS guidelines that must be followed to prevent disqualification.

How many years do I have to keep the Cash Balance Plan?

You need to only open a cash balance plan if you can commit and budget for at least 3 years. It's best to target 5-10 years. A common reason a plan can be terminated is an ownership or partnership change. An event like this will allow you to terminate the plan and rollover your benefit amount to a 401(k) or IRA. This further defers the tax bill to a future year when you are in a lower tax bracket. Also, in these accounts you will have investment control and be able to manage risk yourself.

Seven key benefits of Cash Balance plans:

- ✓ Reducing taxes
- ✓ Accelerating retirement savings
- ✓ Attracting and retaining top talent
- ✓ Flexibility
- ✓ Easy to understand
- ✓ Portability
- ✓ Asset protection



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A Cash Balance plan may be appropriate for businesses with consistent revenues for long-term funding where owners are older and earn more than the average employee. These types of plans have additional costs and generally involve engagement of an actuarial firm for plan administration.

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