



Cash Balance Plans

Accelerate Savings, Maximize Tax Deductions

Cash Balance Plans are a great design for employers seeking to fund much larger contributions than permitted under a 401k and Profit Sharing Plan.

How Do Cash Balance Plans Work?

- **Type of Defined Benefit Plan** - Cash Balance Plans are a type of Defined Benefit Plan, but they offer some of the best features of Defined Benefit Plans and Defined Contribution Plans.
- **Hypothetical Account** - Participants have a hypothetical "account" that is credited with a pay credit (i.e., 5% of pay) and an interest credit (index-based).
- **Retirement Benefits** – Are usually expressed in the form of a lifetime annuity, but lump sum payment options are permitted.
- **Pooled Investments** – Trustees make all investment decisions and generally invest in assets that track the plan's stated interest credit.
- **Required Contributions** – Employer contributions are required and the annual amount is determined by an actuary. If

assets are invested conservatively, contributions generally do not fluctuate widely from year-to-year.

- **Combo Plans** – A Cash Balance Plan can be paired with a 401k Plan to allow for even higher savings.
- **Federal Guarantee** – Benefits are usually insured by the Pension Benefit Guaranty Corporation (PBGC).

Is a Cash Balance Right for Me?

A Cash Balance Plan may be a good fit if:

- **Seek Large Contributions** - You seek contributions and tax deductions > \$53k.
- **Profitable Business** - Your business has strong profits and reliable cash flow.
- **Prepared to Contribute** - You are prepared to contribute at least 7.5% of employees' salaries each year.
- **Time to Catch Up** - You have used cash to build your business and postponed retirement savings.

Learn more about Cash Balance Plans at www.julyservices.com.



Cash Balance + 401k Illustration

DEMOGRAPHICS			CONTRIBUTIONS			
EMPLOYEE	AGE	SALARY	401K DEFERRAL	PROFIT SHARING	CB CREDIT	TOTAL W/O DEFERRAL
Owner 1	55	\$265,000	\$24,000	\$13,250	\$182,850	\$196,100
Owner 2	50	\$265,000	\$24,000	\$13,250	\$182,850	\$196,100
Employee 1	25	\$30,000	\$0	\$2,100	\$700	\$2,800
Employee 2	30	\$35,000	\$500	\$2,450	\$700	\$3,150
Employee 3	35	\$40,000	\$1,500	\$2,800	\$700	\$3,500
Employee 4	40	\$45,000	\$3,000	\$3,150	\$700	\$3,850
Employee 5	45	\$50,000	\$5,000	\$3,500	\$700	\$4,200
% to Owner				65%	99%	96%

This is a hypothetical example dependent on specific assumptions and used for illustrative purposes only. Plan is assumed to have PBGC coverage; otherwise combined plan limits may apply. Full amounts may not be tax deductible in the first plan year.

CASH BALANCE PLANS

- Maximize Contributions for Owners and HCEs
- Allows Contributions > \$53,000
- For Businesses with Strong Profits and Cash Flow
- Can be paired with a 401k to increase contributions even more

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