

Cash Balance Plan Specifics

Many business owners are looking for larger tax deductions and accelerated retirement savings. A Cash Balance retirement plan may be the perfect solution. This type of defined benefit plan allows plan sponsors to make very large tax deductible contributions every year while garnering large contributions for key owners and staff.

A Cash Balance plan is a defined benefit plan that specifies both the contribution formula to be credited to each participant and the investment earnings to be credited based on those contributions. The benefit is therefore defined and each participant receives an annual benefit statement with a *hypothetical* account balance that resembles those in a 401(k) or profit sharing plan. The actual assets are invested in one pooled account which is invested by the plan trustees or investment advisors. Cash Balance plans are paired with an existing 401(k) or profit sharing plan in order to maximize owner contributions.

While Cash Balance and 401(k) combination plans are often established for the benefit of key executives the plans normally provide a minimum benefit between 5% and 10% of pay for staff which is mostly funded through the 401(k) plan.

- Company contributions are MANDATORY and must be made for at least three years.
- Contributions may be stated as a percentage of pay or a flat dollar amount. This formula is specified in the plan document and may be changed every three years or more.
- An annual interest credit is guaranteed as a rate of return regardless of the plan's actual investment performance. That rate changes each year but usually is equal to the yield on 30-year Treasury bonds, which has hovered around 5 percent in recent years.

Good Candidates for a Cash Balance Plan

1. Highly profitable companies of any type or size with consistent profit patterns & owners over age 40 who wish to contribute more than \$55,000 per year to a retirement plan.
2. Older owners who have delayed saving for retirement who need to squeeze 10 years of saving into 5.
3. Sole proprietors with income exceeding \$275,000 per year (all entity-types apply).
4. Professional firms of all types - Dentists, surgical, ER groups, CPAs, engineers, architects, financial services, independent consultants etc...
5. Law firms of all sizes - Tax deferral and asset protection are often very important to this profession, along with a highly competitive retirement package to help attract and retain top talent.
6. Family or closely-held businesses; i.e. farmers in need of succession planning tools.

2018 Combined Contributions Limits				
Age	401(k) only	401(k) with Profit Sharing	Cash Balance	Total
70	\$24,500	\$61,000	\$282,120	\$343,120
69	\$24,500	\$61,000	\$290,816	\$351,816
68	\$24,500	\$61,000	\$298,727	\$359,727
67	\$24,500	\$61,000	\$284,965	\$345,965
66	\$24,500	\$61,000	\$271,892	\$332,892
65	\$24,500	\$61,000	\$259,473	\$320,473
64	\$24,500	\$61,000	\$266,027	\$327,027
63	\$24,500	\$61,000	\$272,524	\$333,524
62	\$24,500	\$61,000	\$278,956	\$339,956
61	\$24,500	\$61,000	\$265,673	\$326,673
60	\$24,500	\$61,000	\$253,022	\$314,022
59	\$24,500	\$61,000	\$240,971	\$301,971
58	\$24,500	\$61,000	\$229,497	\$290,497
57	\$24,500	\$61,000	\$218,190	\$279,190
56	\$24,500	\$61,000	\$207,137	\$268,137
55	\$24,500	\$61,000	\$196,674	\$257,674
54	\$24,500	\$61,000	\$186,773	\$247,773
53	\$24,500	\$61,000	\$177,379	\$238,379
52	\$24,500	\$61,000	\$168,480	\$229,480
51	\$24,500	\$61,000	\$160,036	\$221,036
50	\$24,500	\$61,000	\$152,027	\$213,027
49	\$18,500	\$61,000	\$144,434	\$205,434
48	\$18,500	\$61,000	\$137,231	\$198,231
47	\$18,500	\$61,000	\$130,399	\$191,399
46	\$18,500	\$61,000	\$123,917	\$184,917
45	\$18,500	\$61,000	\$117,773	\$178,773
44	\$18,500	\$61,000	\$111,938	\$172,938
43	\$18,500	\$61,000	\$106,398	\$167,398
42	\$18,500	\$61,000	\$101,145	\$162,145
41	\$18,500	\$61,000	\$96,154	\$157,154
40	\$18,500	\$61,000	\$91,416	\$152,416

At Qualified Pension Services, Inc. we partner with our client's CPA and financial advisor to become part of an overall management team. Through this collaborative approach, the management team helps the business owner realize a greater vision and tax savings than they may have thought possible.

We hope you have found the above information useful and encourage you to pass it on to others you think would benefit. If you would like to see how a Cash Balance plan combination would work for your situation please visit our website at www.qpsinc.biz - click on the request for a Free Proposal and forward to us today. Faith Irmén 417-522-7526 x102 faithi@qpsinc.biz