

Cash Balance Plan Solutions

A powerful
retirement
savings
strategy



 **PENTEGRA**



What Is a Cash Balance Plan?

A cash balance plan is a defined benefit plan with a hybrid structure that combines features of both defined contribution and traditional defined benefit pension plans. It is often combined with a Solo(k) or 401(k)/Profit Sharing plan to maximize retirement plan contributions and realize tax benefits.

How Does a Cash Balance Plan Work?



On an annual basis, participants receive a statement illustrating their account balance, which equals the lump sum value of their benefits under the plan. Statements include a beginning-of-year account balance, earnings for the year, the employer contributions and an end-of-year balance.



As in a defined contribution plan, benefits are completely portable. Cash balance benefits can be distributed as a lump sum payout upon termination at any age.



Plan assets are pooled and invested by the plan's investment manager. If investment earnings exceed the guaranteed rate, the excess is used to offset future plan contributions. Conversely, if investment earnings are less than the guaranteed rate, plan contributions may increase. Like a traditional defined benefit plan, cash balance benefits are guaranteed.



Cash Balance Plans combine features of both defined benefit and defined contribution plans



Why Consider a Cash Balance Plan?

Cash balance plans generally work best for professional groups or closely held family corporations with strong profit margins. Because of their unique plan design features, these plans enable key employees to save more than they can under the current defined contribution (DC) plan limits, while still enjoying the ERISA protections that come with a qualified retirement plan.

Cash Balance Plans Can Help:

- Materially increase owner's retirement plan contributions over a 3 to 5+ year time horizon
- Enable larger tax deductions
- Create different benefit levels for different employees
- Attract, reward and retain key employees

Cash Balance Plans Are an Ideal Solution For:

- Businesses with strong profit margins and reliable, repeatable earnings streams
- Closely held family businesses or corporations with fewer than 100 employees
- Employers seeking to offer a plan with contribution limits over and above current defined contribution plan limits
- Businesses looking for a larger tax deduction than a 401(k) or other defined contribution plan can offer



Cash balance plans can be designed based on each business' unique needs.



Cash Balance Plan Advantages

A Cash Balance Plan can be a powerful retirement savings strategy, offering business owners key advantages.



Generous Contribution Limits

Owners potentially can contribute three or four times more to a cash balance plan than what they are able to contribute to other qualified retirement plans.



Portability

Furthermore, employees in today's workforce are increasingly more mobile. Cash balance plans are completely portable.



Tax Benefits

Contributions are tax deductible, resulting in tax savings annually.



Flexibility

Cash balance plans provide a great deal of flexibility in allocating benefits. Business owners can establish different "classes" and contribution levels for different groups of employees.



Greater Employee Appreciation

Since cash balance benefits are expressed in the form of an account balance, employees may feel more appreciative of the contributions being made on their behalf.



Cost Control

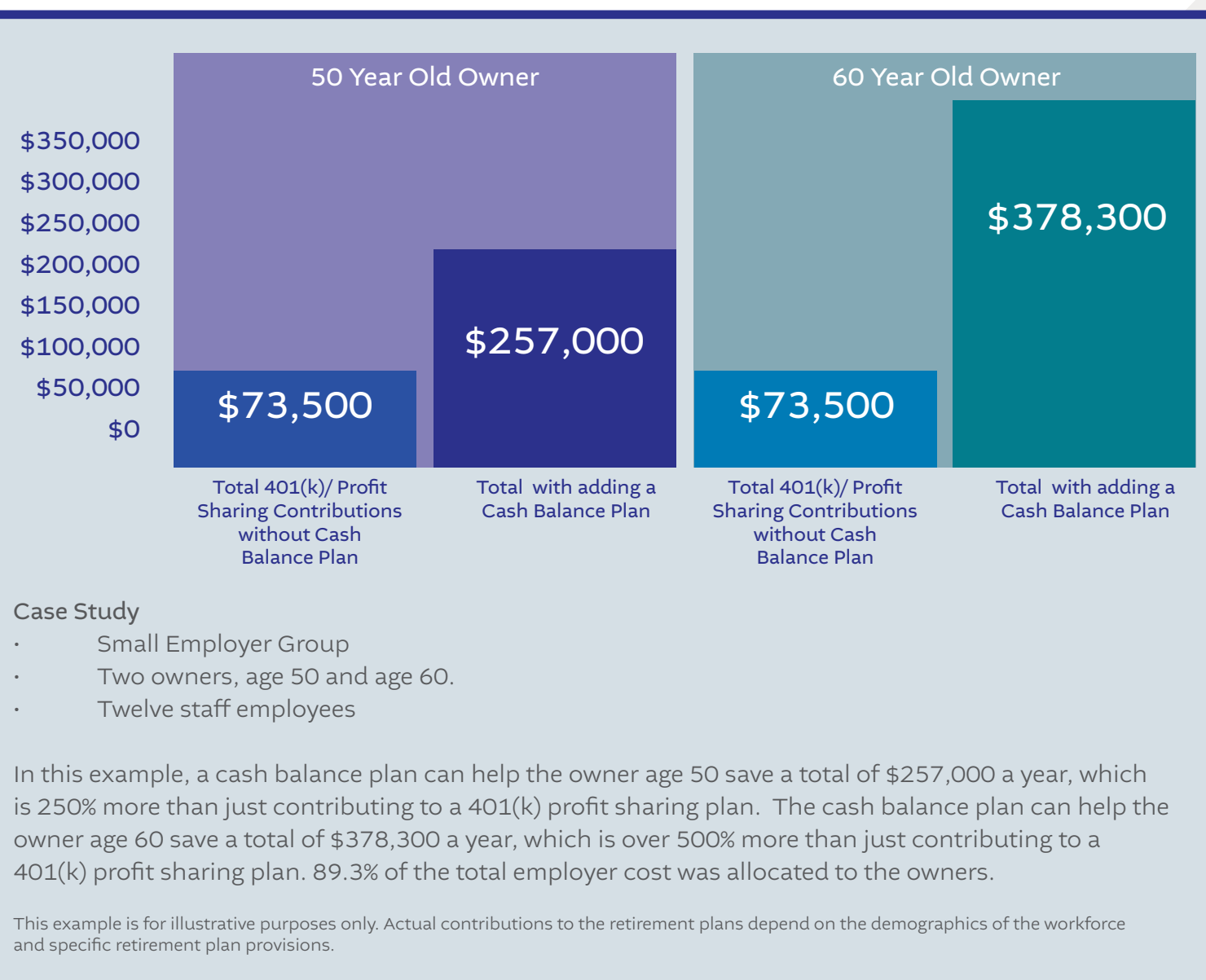
Cash Balance plans provide business owners with consistent, predictable, cashflow expenses year-over-year.





Cash Balance Plan Design

If your business is seeking an opportunity for a greater tax deduction and a way to help key employees maximize benefits, consider a cash balance plan.



Cash balance plans enable key employees to save more than they can under the current defined contribution plan limits.



401(k) Profit Sharing and Cash Balance Plans

Age	401(k) with Profit Sharing*	Cash Balance	Total	Tax Savings**
Above 65	\$73,500	\$327,600+	\$401,100+	\$160,440+
65	\$73,500	\$312,500	\$386,000	\$154,400
60	\$73,500	\$304,800	\$378,300	\$151,320
55	\$73,500	\$237,400	\$310,900	\$124,360
50	\$73,500	\$183,500	\$257,500	\$102,800
45	\$66,000	\$142,000	\$208,000	\$83,200
40	\$66,000	\$110,200	\$176,200	\$70,480
35	\$66,000	\$85,600	\$151,600	\$60,640
Under 35	\$66,000	Up to \$81,400	Up to \$147,400	Up to \$58,960

*2023 Limits 401(k): \$22,500; \$7,500 catch-up (50+); \$43,500 Profit Sharing Also available with a Solo 401(k).

** Assuming 40% tax rate. Varies by state. Taxes are deferred. For illustration purposes only. Actual contributions depend on the demographics of the workforce and specific retirement plan provisions. For illustration purposes only



Cash balance plans offer a way to maximize benefits and tax savings.

Learn more about benefits a Cash Balance Plan can offer your organization.

Contact the Pentegra Solutions Center at 855-549-6689 or
solutions@pentegra.com.

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2 Enterprise Drive, Suite 408, Shelton, CT 06484-4694 800-872-3473 tel 203-925-0674 fax www.pentegra.com

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