



Cash Balance Plan Basics

Cash balance plans can dramatically increase tax-deferred retirement savings for owners, partners and other key employees. They are a special type of defined benefit plan that allows for greater deferral opportunities than under a 401(k) profit sharing plan alone. Cash balance plans also have some of key features similar to those found in defined contribution plans.

Design Flexibility – Works in concert with the company’s 401(k) plan and provides flexible design options.

Individual Participant Accounts – Participants receive “contribution” and “interest” credits. This is much easier for participants to understand than benefits provided for under a traditional defined benefit plan.

Portability of Benefits – Participants can receive a lump-sum distribution upon termination and roll over their balance to an IRA or employer-sponsored qualified plan.

The following table illustrates the maximum contributions allowed by law for 2013.

Age	401(k) with Profit Sharing	Cash Balance	Total	Estimated Tax Savings*
Above 65	\$56,500	\$220,000+	\$276,500+	\$110,600+
65	\$56,500	\$220,000	\$276,500	\$110,600
63	\$56,500	\$230,000	\$286,500	\$114,600
60	\$56,500	\$212,000	\$268,500	\$107,400
57	\$56,500	\$180,000	\$236,500	\$94,600
55	\$56,500	\$162,000	\$218,500	\$87,400
53	\$56,500	\$145,000	\$201,500	\$80,600
50	\$56,500	\$124,000	\$180,500	\$72,200
47	\$51,000	\$105,000	\$156,000	\$62,400
45	\$51,000	\$95,000	\$146,000	\$58,400
43	\$51,000	\$85,000	\$136,000	\$54,400
40	\$51,000	\$72,000	\$123,000	\$49,200
37	\$51,000	\$61,000	\$112,000	\$44,800
35	\$51,000	\$55,000	\$106,000	\$42,400
Under 35	\$51,000	Up to \$52,000	Up to \$103,000	Up to \$41,200

* Assumes a 40% tax rate; taxes are deferred

Note: Maximum contributions for owners, partners and other key employees will vary by employer based on a number of factors including the ages of participants, demographics of the workforce, and level of employer contributions provided for non-highly compensated employees. In order to maximize contributions for the targeted individuals, employers typically have to contribute between 5% and 7.5% for employees (includes contributions made under the 401(k) and cash balance plan).

“Coastal Retirement Consultants, LLC provides quality plan design, consulting and administration services. To learn more about cash balance plans or to request a design study, contact us today!”