

Cash Balance Plans

Accelerating Savings

Don't let IRS limits in a 401(k) plan hold your clients back...

Cash Balance Plans, Saving More For Retirement

What is a Cash Balance Plan?

A **Cash Balance Plan (CBP)** is a type of defined benefit plan (or traditional pension plan) that resembles the look, feel, and portability of a defined contribution plan. Each participant is entitled to a guaranteed benefit that is credited annually with an employer contribution and interest credit (determined by a specific formula in the plan's document.) The employer guarantees the interest credit.



Highlights

- **Increased Savings**

Currently the maximum annual contribution per employee to a 401(k) Profit Sharing plan is \$53,000 (\$59K if age 50+). In a **CBP** the maximum savings varies based on age and income but can exceed \$200,000 per year.

- **Flexibility in Design**

Based on the plan document, a **CBP** can provide different levels of contributions (as a % of pay), for the owners, management team, and employees.

- **Tax deductions**

A contribution to a **CBP** account is a tax deduction that reduces the company's ordinary income dollar-for-dollar.

- **Enhanced Protection from Creditors**

The number of Cash Balance Plans in the US increased by more than 800% from 2001 to 2010.



More than 75% of CBPs are sponsored by companies with fewer than 100 employees.