



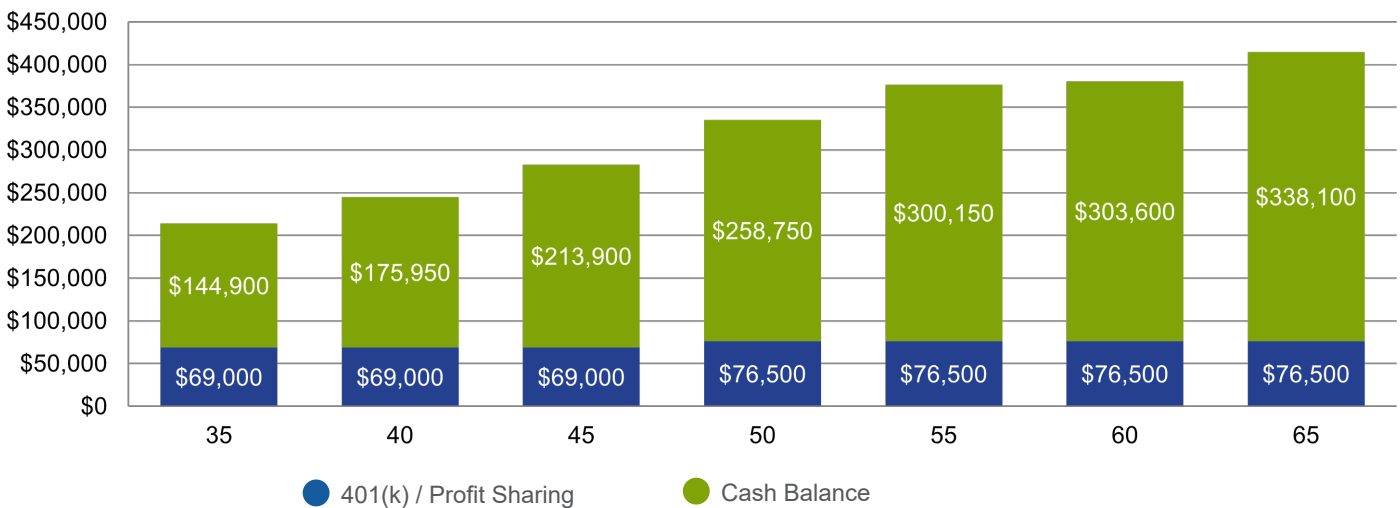
Learn More About  
**Cash Balance Plans**

Accelerate Savings | Maximize Tax Deductions | Catch-up on Missed Savings Opportunities | Succession Planning

# What is a Cash Balance Plan?

Cash Balance Plans are a type of qualified retirement plan that can allow business owners and highly compensated employees (HCEs) to accelerate savings and maximize tax deductions. With the right demographics, contributions between \$100,000 and \$300,000 for owners or HCEs can be made. All contributions are fully deductible to the business for federal income tax purposes. Cash Balance Plans work best when combined with a 401(k) Plan. This provides for flexibility to the employees and employer in funding contributions, yet allows for maximum contributions.

Maximum Annual Contributions by Owner Age



## Is Cash Balance Right for Me?

Cash Balance Plans can be a fit for any company and are popular with professional firms like doctors, lawyers, and others who have the ability and desire to save more than is allowed under traditional plan arrangements and who have the steady income to comfortably make required contributions each year to this type of plan.



### Seek Large Contributions

You seek contributions and tax deductions >\$69k



### Profitable Business

Your business has strong profits and reliable cash flow



### Prepared to Contribute

You are prepared to contribute at least 5% - 7.5% of employees' salaries annually



### Time to Catch Up

You have used cash to build your business and postponed retirement savings

# How Do Cash Balance Plans Work?

Cash Balance Plans are unique in how they work and how they are structured. 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 (a percent of pay or flat dollar amount) and an interest credit (index-based).

## Retirement Benefits

Are expressed in the form of a lump sum to participants and are easily portable to another group retirement plan or an IRA at retirement.

## Combo Plans

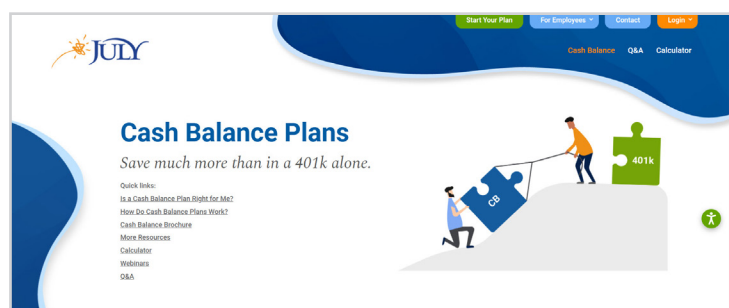
A Cash Balance Plan can be paired with a 401(k) Plan to allow for even higher savings.

## Federal Guarantee

Benefits are usually insured by the Pension Benefit Guaranty Corporation (PBGC).\*\*

## Cash Balance Resources

JULY has a strong actuarial team focusing exclusively on custom-tailored Cash Balance solutions and support of the unique needs of our clients. In addition, we offer a variety of online educational support on this topic. For more specific information and support, please contact your JULY Regional Sales Director.



### Educational Sitelet

Find a wealth of information on Cash Balance Plans at <https://www.julyservices.com/cash-balance/>

### Estimate Calculator

Allows owner-only businesses to explore various Cash Balance + 401(k) scenarios

\* Please refer to Important Endnotes for additional information regarding the benefits and features of cash balance plans.

\*\* A private-sector qualified defined benefit plan is exempt from PBGC coverage if it has not covered more than 25 active participants at any time since ERISA was enacted (September 2, 1974), and it is established and maintained by a “professional service employer,” (e.g., physicians, attorneys, and architects).

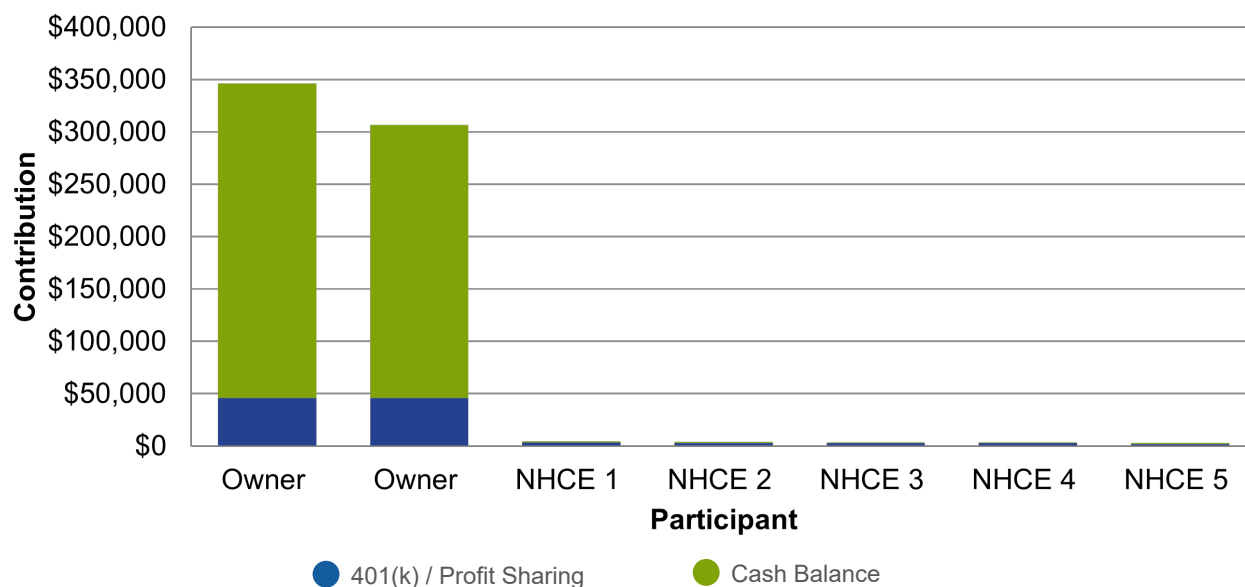


# Cash Balance in Action

JULY's actuarial team provides no-cost, custom-tailored illustrations for you to visualize how a Cash Balance Plan may benefit you. Following is one example of how a Cash Balance Plan played out for two company owners contributing the maximum amounts to their 401(k) and Cash Balance Plans.

## Two Owners Contributing Maximum in Both Plans

EE	Age	Plan Comp.	Deferrals	Profit Sharing	Contribution Credit	Total Contribution w/o deferrals
Owner	55	\$345,000	\$30,500	\$46,000	\$300,150	\$346,150
Owner	50	\$345,000	\$30,500	\$46,000	\$260,475	\$306,475
NHCE 1	45	\$50,000	\$5,000	\$3,550	\$800	\$4,350
NHCE 2	40	\$45,000	\$3,000	\$3,195	\$800	\$3,995
NHCE 3	35	\$40,000	\$1,500	\$2,840	\$800	\$3,640
NHCE 4	30	\$35,000	\$500	\$2,800	\$800	\$3,600
NHCE 5	25	\$30,000	\$0	\$2,130	\$800	\$2,930
<b>% to Owners</b>				<b>86.4%</b>	<b>99.3%</b>	<b>97.2%</b>



*\*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 deductible in the first plan year.*

### Important Endnotes:

Amounts received from qualified plans are generally taxed at ordinary income tax rates, other than qualified distributions of Roth 401(k) amounts. Amounts received before age 59 1/2 may be subject to a 10% federal income tax penalty and additional state penalties. July Business Services does not provide tax or legal advice. The information contained in this brochure is intended solely to provide general summary information and is not intended to serve as tax or legal advice. For tax or legal advice concerning your situation, please consult your professional tax advisor or legal counsel. **All investments involve risk, including loss of principal with no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing.**

## Learn More