

Clarity Cash Balance Design

Cash Balance and Defined Contribution Plans

Working Together for Optimal Strategy



How do Cash Balance Plans work?

Who is best suited for a Cash Balance Plan?

Cash Balance Plans typically provide a distinct added value for:

- Highly profitable companies (all types and sizes)
- Closely-held and family businesses
- Radiologists, Anesthesiologists, Gastroenterologists, Surgeons and other Medical Professionals
- Dentists
- Law firms , CPAs and other Professional Service firms
- Owners requiring accelerated retirement savings
- Sole proprietors looking to defer at least \$50,000

What is my benefit in a Cash Balance Plan?

Cash Balance Plans are defined benefit (DB) plans. Your benefit is defined as a Hypothetical Account Balance (HAB).

$HAB = \text{Cash Credits} + \text{Interest Credits}$.

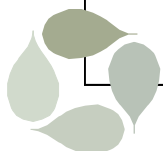
Cash Credits are annual amounts that get credited to your HAB (similar to profit sharing contributions). Cash Credits can be defined as a percentage of pay, a flat dollar amount, or a percentage of the maximum allowed by law, and are added to the HAB as of the last day of the plan year.

Interest Credits apply to the HAB annually based on the plan's provisions. Interest crediting must not exceed a "market rate of return".

Example

A participant is in a Cash Balance Plan that provides an annual Cash Credit of \$100,000, and annual Interest Credits of 5%.

	<u>HAB at Jan 1</u>	<u>Interest Credit</u>	<u>Cash Credit</u>	<u>HAB at Dec 31</u>
Year 1	0	0	100,000	100,000
Year 2	100,000	5,000	100,000	205,000
Year 3	205,000	10,250	100,000	315,250



Cash Balance Plans 101

Deferral Levels

- Example (continued)

- Approximate maximum deferrals by age and plan type

Age	401(k) Only	401(k) + Profit Sharing (Full DC)	Cash Balance Maximum Deferral	Full DC + Cash Balance Max
35	\$16,500	\$49,000	\$60,000	\$109,000
40	16,500	49,000	78,000	127,000
45	16,500	49,000	100,000	149,000
50	22,000	54,500	128,000	182,500
55	22,000	54,500	165,000	219,500
60	22,000	54,500	212,000	266,500
65	22,000	54,500	220,000	274,500

