

Cash Balance Plan - Overview

OVERVIEW

A Cash Balance Plan is a type of Defined Benefit Plan. It is not an Individual Account Plan (Defined Contribution Plan) since each participant's benefits are not determined by the performance of the assets held in an individual account for that participant. However, it looks a lot like an Individual Account Plan (such as a Profit Sharing Plan) because the benefits are related to a Hypothetical Cash Balance Account. Because a Cash Balance Plan exhibits some characteristics of both Defined Benefit Plans and Defined Contribution Plans, it is often called a hybrid plan.

NEW COMPARABILITY CASH BALANCE PLANS

While most Cash Balance Plans have a uniform formula for allocating employer contributions, a New Comparability Cash Balance Plan uniquely targets specified participants (business owner and/or other key employees) for specified allocation amounts, while other employees receive a uniform allocation level. The overall allocation is chosen so that the resulting benefits pass the general nondiscrimination tests required under IRC 410(b) and 401(a)(4).

This formula structure is the same as is used for New Comparability Profit Sharing Plans. The difference is that the Cash Balance Plan is in fact a Defined Benefit Plan, and can permit much larger benefit levels than is possible under the \$54,000 Profit Sharing Plan limits.

ARE YOU A CANDIDATE FOR A CASH BALANCE PLAN?

A New Comparability Cash Balance Plan is most useful when the following criteria are met:

- The contribution/benefit goals of the employer are higher than permitted by a 401(k)/profit sharing plan
- Employer income and cash flows are stable or growing
- The employer desires to target owners/key employees to receive higher benefit levels than the general staff
- Targeted owners/key employees are approaching retirement age
- The staff is younger than the targeted owners/key employees

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DCDB Combination Plans

A **Defined Contribution/Defined Benefit Combination Plan** or **DCDB Combo Plan** allows the plan sponsor to offer a two-tiered approach to saving for retirement. In a DCDB Combo Plan design a retirement benefit level is established in the defined benefit plan based on age, service and/or compensation. This benefit is then coordinated or offset with an employer contribution into the defined contribution plan (401(k)/profit sharing plan).

This plan design can produce dramatic tax savings for the employer and allow the business owner and/or key employees to receive significant retirement benefits. This design also offers affordable staff funding costs for even large employers.

ARE YOU A CANDIDATE FOR A DCDB COMBO PLAN?

- Owner Age 45 plus
- Owner Compensation over \$150,000
- Stable/Reliable Business Income
- Desire substantial tax savings
- Need to rapidly grow retirement savings
- Desire to protect assets from creditors
- Owner looking to monetize the business or create a succession plan
- Desire an affordable staff funding level (even for large employers)

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Sample Company USA

Retirement Plan Illustration for the Plan Year Ending 12/31/2017 Safe Harbor 401(k) + New Comparability Cash Balance Combo Plan

Employee Name	DOB	DOH	Plan Comp	HCE/Key	Employee Deferral		Safe Harbor ¹ Non-Elective		Employer Profit Sharing		Cash Balance Plan		Employer Total		Total Contribution	
					\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Owner 1	1/1/67	1/1/04	270,000	Y/Y	24,000	9.06%	-	0.00%	7,950	3.00%	135,000	50.94%	142,950	53.94%	166,950	63.00%
Owner 2	5/3/70	11/1/05	270,000	Y/Y	18,000	6.79%	-	0.00%	7,950	3.00%	120,000	45.28%	127,950	48.28%	145,950	55.08%
Group A Totals			540,000		42,000		-		15,900		255,000		270,900		312,900	
Staff 1	9/29/93	3/11/13	22,391	N/N	-	0.00%	672	3.00%	672	3.00%	448	2.00%	1,791	8.00%	1,791	8.00%
Staff 2	2/8/83	4/17/13	27,704	N/N	-	0.00%	831	3.00%	831	3.00%	554	2.00%	2,216	8.00%	2,216	8.00%
Staff 3	4/3/92	3/28/11	27,698	N/N	1,200	4.33%	831	3.00%	831	3.00%	554	2.00%	2,216	8.00%	3,416	12.33%
Group B Totals			77,793		1,200		2,334		2,334		1,556		6,224		7,424	
Company Totals			617,793		43,200		2,334		18,234		256,556		277,124		320,324	

Tax Analysis	
Total Owner Contribution	319,124
Est. Owner Tax Rate	39.6%
Est. Owner Tax Savings	126,373
Staff Contribution (Non-Owner)	6,224
After-Tax Cost of Staff Contribution	(120,149)

Contributions to Owners	270,900	97.8%	312,900	97.7%
Contributions to Staff	6,224	2.2%	7,424	2.3%

Assumptions:

Eligibility equals Age 21 and One Year of Service (12 Months and 1,000 Hours) with Semi-Annual plan entry dates (1/1 and 7/1).

Highly Compensated Employee (HCE) defined as greater than 5% owners, certain family members of greater than 5% owners and/or employees earning over \$120,000 in 2016.

Key Employee defined as any employee that is a greater than 5% owner, a greater than 1% owner with annual compensation in excess of \$150,000 or any officer receiving compensation in excess of \$170,000.

Notes:

(1) Safe Harbor Non-Elective contribution equals 3% of plan compensation to all Non-HCE. Contribution subject to full and immediate vesting.

Plan Design Produces Significant Tax Savings and Retirement Benefits for the Business Owners DCDB Combo Plan Design Imposes an Annual Contribution Requirement on the Plan Sponsor

THE INWEST PHILOSOPHY – WE CARE

At InWest we believe that our clients really don't care how much we know until they know how much we care.

Retirement plan design and compliance administration requires very specialized knowledge; however, knowledge alone doesn't produce success.

GREAT CUSTOMER SERVICE MAKES THE DIFFERENCE

Our clients rated their overall satisfaction with InWest as a 9.1 on a scale from 1 to 10 in a recent, independent customer satisfaction survey and InWest has a 96% client retention rate since 2008.

Any company can claim to provide outstanding service; at InWest we let our clients tell the story:

"I have dealt with three different companies managing 401(k) plans for past employers, and none of them came close to providing this level of support." Bruce F. - Plan Sponsor

"Just wanted to let you know how much I appreciate the terrific work ethic of your wonderful staff. I call often with both questions and problems to solve and they are ALWAYS on top of their game! They work with the same sense of urgency that I do... I want to give spectacular service to my clients and your staff makes that possible so many times." Sally R. - Financial Advisor

"Experience together (since 1996). Fee structure is reasonable. Administrative care is tops! Exceeds customer support requests from problem to solution." Ron T. – Plan Sponsor

EXPERIENCE MATTERS

Every InWest Account Manager is a member of the American Society of Pension Professionals & Actuaries (ASPPA) and has obtained at minimum ASPPA's Qualified 401(k) Administrator (QKA) designation.



Credentialed ASPPA members have committed a minimum of three years of study, rigorous examinations and actual practice to become highly skilled specialists in their respective areas of retirement planning. ASPPA's extensive credentialing program has a reputation for excellence and includes continuing education requirements to ensure ongoing high standards of performance.

ADVANCED TECHNOLOGY – INWEST PLAN CONNECT

InWest Plan Connect offers Plans Sponsors and Financial Advisors a secure environment for the exchange of information in a quick and efficient manner.

Some of the features available through Plan Connect are: secure file transfers, plan documents, administrative forms and compliance reports.



WE'RE HONORED TO BE OF SERVICE

InWest partners with employers and financial advisors to design, install and administer retirement savings plans. We pursue innovative solutions that help our clients promote corporate objectives, control costs and give employees needed retirement income security.

Our services include:

Plan Design – Our plan architects can build a plan to meet your needs.

Plan Installation – Turnkey installation services including legal plan documents and hands-on coordination of existing plan conversions.

Plan Compliance – Responsive, accurate, full service plan compliance administration.

Fiduciary Governance – We work with you and your financial advisor to oversee more than 160 duties of the 402 Named Fiduciary and 3(16) Plan Administrator. We shoulder the responsibility and ensure the safety, quality and efficiency of your company's retirement plan.

We specialize in:

Traditional and Safe-Harbor 401(k) Plans
New Comparability Profit Sharing Plans
403(b)/457 Plans

Defined Benefit/Cash Balance Plans
DCDB Combo Plans
Solo 401(k) and DB(k) Plans

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InWest has developed strategic partnerships with industry-leading providers. Through our combined services we are able to offer comprehensive retirement plan services to plan sponsors and participants. Some of our partners include:



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TRANSAMERICA
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