TPS GROUP

Employer Connect | Cash Balance Plans Allow Six Figure Annual Contributions

MAKING IT ACTIONABLE

Most people can contribute to their 401(k) without worrying about exceeding the annual contribution limit. If you're under 50 years old, that's $18,500 a year. If you're 50 or older, it's $24,500 (values are for 2018).

A small, but important segment of the population, though, has the ability to contribute significantly more to their retirement account. For some, a Profit Sharing plan combined with a 401(k) ups the saving limit to $60,000. But if you're looking to save even more on taxes or put more into a retirement account, a Cash Balance plan may be the right choice since it offers the opportunity to contribute significantly more to your retirement account each year.

Cash Balance plans can help high-income earners build substantial retirement savings in a relatively short amount of time, but they're not for everyone. Unlike Profit Sharing plans with discretionary contributions, Cash Balance plans do require mandatory annual contributions. That tends to favor business owners with an income that's substantial and predictable from year-to-year.

In the right circumstances, business owners like you can take advantage of a Cash Balance plan to quickly make up a retirement shortfall in a tax-efficient way. This can be especially helpful if you're close to retirement age.

> ***For example:*** *a 50-year-old could contribute more than $143,000 annually to a Cash Balance plan. A 60-year-old could contribute more than $235,000 per year. The actual amount depends on your income and age.*

You can also pair a Cash Balance plan with your traditional 401(k) to reward key executives and provide even more plan design flexibility.

Here are a few questions you can ask yourself to better understand if a Cash Balance plan might be right for you and your business.

1 | **Does your business have steady, predictable cash flow?**
Companies with consistent earnings from year-to-year are more likely to be a good candidate for the required annual contributions of a Cash Balance plan.

2 | How comfortable are you to committing to annual contributions to your plan?

Not everyone is comfortable committing to annual contributions. Unlike a Profit Sharing plan with discretionary contributions, Cash Balance plans come with mandatory contributions in order to meet funding requirements and optimize tax savings.

3 | How important is saving on current taxes and building retirement savings?

To some owners, reducing tax on current income may be very important. A Cash Balance plan offers significantly higher contribution limits than other plan designs.

4 | How do the annual contribution limits for company owners for different plan types compare?

Note: Maximum annual contributions for owners are age and income dependent.

How much a business owner may contribute annually to a retirement plan:

Plan(s)	Age 50	Age 60	Age 65
401(k) *(includes catch-up)*	$24,000	$24,000	$24,000
Profit Sharing & 401(k) combo	$60,000	$60,000	$60,000
Cash Balance	$143,000	$235,000	$243,000

If you're intrigued by the potential of a Cash Balance plan, let's chat and see if your situation and goals might be a good fit.