

What are the Benefits of a Cash Balance Plan?

- CBPs allow business owners to contribute large sums of money annually. The contributions are taken as a deduction in the year contributed and the account grows tax deferred. This provides tax savings for the employer.
- Business owners provide a hypothetical account balance for their employees, while also contributing to their employee's 401(k) accounts. Increasing employee benefits will minimize employee turnover and boost employee productivity.
- A CBP is an ERISA-qualified plan. This means the retirement plan is required to have contribution limits, be nondiscriminatory, and benefit all. This provides legal protection to the company.

What are the Characteristics of a Cash Balance Plan?



Contribution is specified in the Plan Document



May provide different contributions for different groups



Contributions are credited to a "Hypothetical Account" for each participant each year



Fixed Annual Credit and Fixed Annual Interest Credit on the Account



Contributions must be Fully Vested after 3 years



Plan should be maintained for 5 years to satisfy Permanency requirements



Plan Assets are Pooled and Trustee-Directed

Cash Balance Plan Example 2023

Safe Harbor Non-Elective New Comparability Profit Sharing Plan and Cash Balance Plan											
Owner: Name	Income	Deferral \$	EE%	\$ Safe Harbor 3%	% Safe Harbor 3%	Catchup	NCPS \$	NCPS %	Cash Balance \$	Cash Balance %	Total %
Owner	\$ 330,000.00	\$ 22,500.00	6.82%	\$ 9,900.00	3.00%	\$ 7,500.00	\$ 33,600.00	10.19%	\$ 140,000.00	42.42%	\$ 213,500.00
Total Owners	\$ 330,000.00	\$ 22,500.00		\$ 9,900.00		\$ 7,500.00	\$ 33,600.00		\$ 140,000.00		\$ 213,500.00
Nonowner: Name	Income	Deferral \$	EE%	3%	Harbor 3%	Catchup	NCPS \$	NCPS %	Cash Balance \$	Cash Balance %	Total %
Employee 1	\$ 70,000.00	\$ -	0.00%	\$ 2,100.00	3.00%	\$ -	\$ 1,400.00	2.00%	\$ 1,400.00	2.00%	\$ 4,900.00
Employee 2	\$ 90,000.00	\$ -	0.00%	\$ 2,700.00	3.00%	\$ -	\$ 1,800.00	2.00%	\$ 1,800.00	2.00%	\$ 6,300.00
Employee 3	\$ 95,000.00	\$ -	0.00%	\$ 2,850.00	3.00%	\$ -	\$ 1,900.00	2.00%	\$ 1,900.00	2.00%	\$ 6,650.00
Employee 4	\$ 100,000.00	\$ -	0.00%	\$ 3,000.00	3.00%	\$ -	\$ 2,000.00	2.00%	\$ 2,000.00	2.00%	\$ 7,000.00
Employee 5	\$ 100,000.00	\$ -	0.00%	\$ 3,000.00	3.00%	\$ -	\$ 2,000.00	2.00%	\$ 2,000.00	2.00%	\$ 7,000.00
Total Nonowners	\$ 455,000.00	\$ -		\$ 13,650.00		\$ -	\$ 9,100.00		\$ 9,100.00		\$ 31,850.00
Grand Totals	\$ 785,000.00	\$ 22,500.00		\$ 23,550.00		\$ 7,500.00	\$ 42,700.00		\$ 149,100.00		\$ 245,350.00
Owner Percentage		100.00%		42.04%			78.69%		93.90%		87.02%

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