



# CASH BALANCE PLANS

A cash balance plan is a defined benefit retirement plan that can help business owners **maximize tax deductions and accelerate retirement savings** while also guaranteeing employees a specified level of benefits at retirement.

## IDEAL CANDIDATES

- Companies with consistent high levels of earnings
- Owners who desire high deductible contributions on top of 401(k) contribution limits
- Have adequate cash flow to make plan contributions (Including approximately 7-10% of compensation to non-owner employees)

## FEATURES

- Depending on company demographics, it's possible to have annual tax deductions in the \$100,000-\$200,000 range per owner.
- Cash balance plans work best when run alongside a 401(k)/profit-sharing plan. It is possible to add a cash balance plan when there is an existing 401(k)/profit-sharing plan in place.
- Cash balance is considered a qualified plan. In addition to tax deductible contributions, balances grow tax deferred and are not taxed until distributed.
- Cash balance plans may also offer protection from bankruptcy and other creditors.
- Plan is invested as a single pooled account in a conservative manner. Participants receive annual statements showing their vested balance in the plan.

## REQUIREMENTS

- Plans must include 50 employees or 40% of the eligible group – whichever is smaller.
- Cash balance plans should be run for a minimum of five years to meet IRS permanency requirement.

When designed and run properly, cash balance plans can be a valuable tax planning and retirement tool. Level Four will work with you to determine if it is a fit for your business.

**Have questions? We are here to help.**

Source: <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/cash-balance-pension-plans>  
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