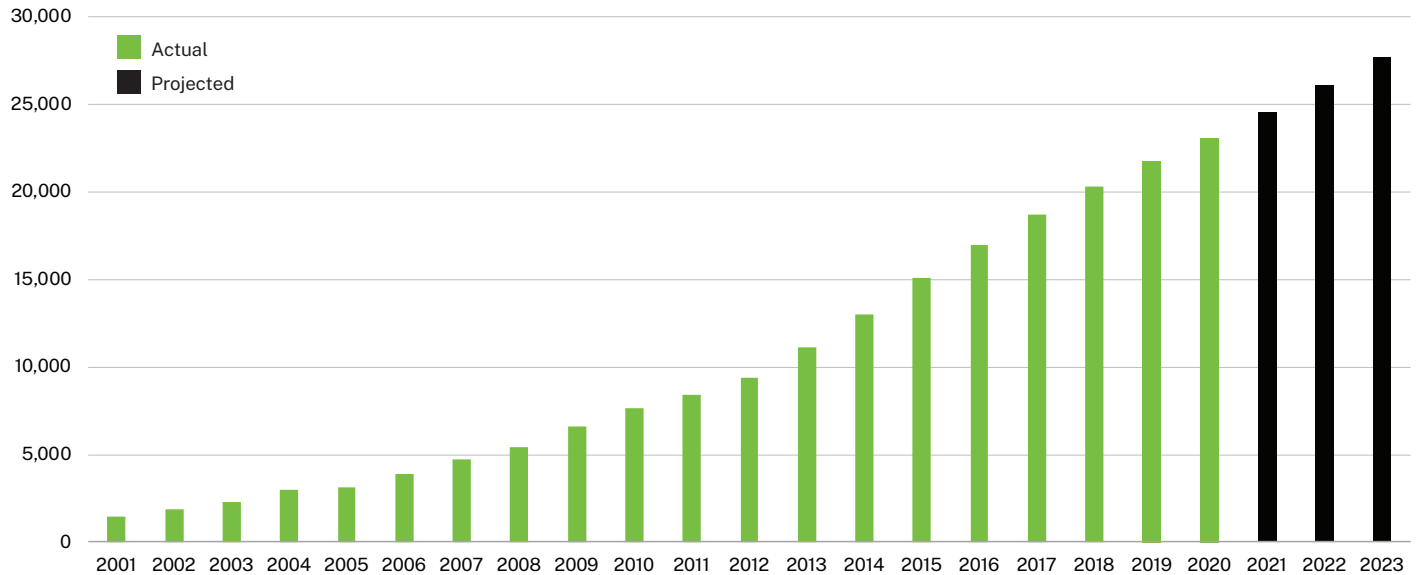


# A Tax Shelter Solution for Business Owners



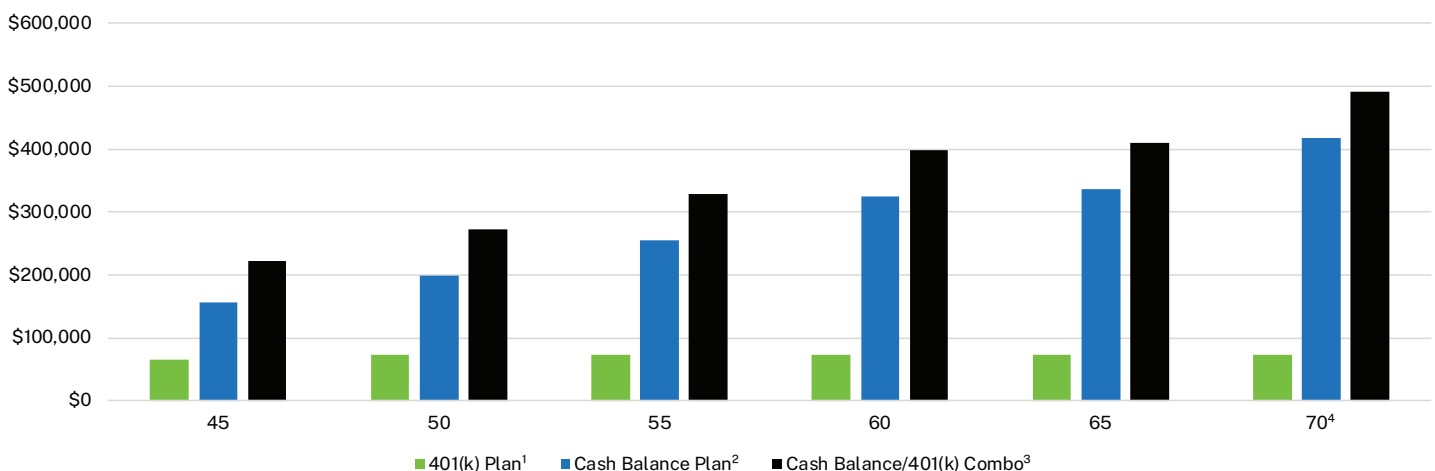
A Cash Balance plan is a defined benefit pension that can provide meaningful retirement benefits for employees. They are the fastest growing type of qualified retirement plan today.

## Cash Balance Plan Adoptions by Year



A Cash Balance plan can help business owners shelter as much as \$150,000 - \$350,000 ...annually; well beyond the benefits of a 401(k) plan alone

## Maximum First Year Contribution Age (2022)



Source: Internal Revenue Service. Analysis: Manning & Napier Advisors, LLC (Manning & Napier).

This graph illustrates the maximum allowable individual allocations to a qualified cash balance plan and a qualified 401(k) Profit Sharing Plan for 2023. It should not be construed as applicable to a specific plan and it is not intended to constitute legal, tax or accounting advice. Actual allocations may differ and are dependent on other census demographic variables.

<sup>1</sup>For 2023, the maximum defined contribution plan annual addition for an individual is the lesser of 100% of compensation or \$66,000 (\$73,500 if catch-up deferrals apply). A \$7,500 catch-up deferral is allowed for any participant who attains age 50 during the plan year and either makes salary deferrals up to the maximum of \$22,500 or reaches another regulatory or plan-imposed allocation limit.

<sup>2</sup>This column illustrates the maximum amount that can be distributed as a lump sum to a participant that has earned income of \$330,000, is fully vested and has one year of plan participation. It uses the 2023 Applicable Mortality Table at 5% for the monthly benefit and 5.5% for lump sum distributions; and a normal retirement age assumption of 65.

<sup>3</sup>This amount assumes that the cash balance plan is covered by the Pension Benefit Guaranty Corporation. This column is the sum of "Cash Balance Plan" and 401(k) Plan columns.<sup>4</sup>

<sup>4</sup>Required Minimum Distribution rules may apply.

# Is a Cash Balance Plan an Ideal Solution?

If your business matches this profile you may want to talk about your situation in more detail with a Cash Balance plan design expert.

## Owner Objectives

We believe this type of plan may be appropriate for business owners who:

- Are looking to reduce taxes by maximizing retirement plan contributions
- Would like to shelter assets from creditors
- Want to provide meaningful benefits for rank and file employees while maximizing their own retirement savings

A cash balance plan may also be a fit for business owners who have already established a 401(k) plan and are seeking ways to enhance benefits.

**Before making a decision, consider the following questions:**

- Do you want to increase your tax-deductible retirement savings?
- Do you want to control the cost of benefits for employees?
- Are you and your key executives older on average than your rank and file employees?
- Is your business's income and profitability consistently stable and high?
- Are you comfortable establishing required annual employer contributions?
- Can you make a commitment to increased plan contributions for the foreseeable future?

## Ideal Business Profile

Other considerations include whether the company has:

- Low employee turnover
- A 5:1 ratio or better of staff to owners
- A meaningful age gap between owners and staff (e.g., if owners are ten or more years older than the employee average)
- Consistently stable income and high profitability
- Ability to meet the required contribution levels as set out in the plan document for a substantial time frame (e.g., 5% to 7.5% of employee pay for five years or more)

## What Do You Need?

Get some basic data about the Employer's business and all related businesses

	Owners	Highly Paid Non-Owners (\$120+)	Rank & File Non-Owners
How many?			
Average compensation?			
Average age?			
Average service?			
401(k) Plan currently sponsored?			

## Businesses That May Benefit

- Professional firms (i.e., legal, medical, dental, accounting)
- Closely-held firms
- Owner-only businesses
- Family-owned businesses