

Maximizing Tax Deductible Retirement Deposits

Cash Balance Plans and 401(k) Combination Plans for Professional Practices

Most professional practices already have a 401(k) plan in place. Many of these plans are using custom contribution formulas to provide higher contribution rates to owner-employees or other favored employees.

But these plans limit overall contributions for any individual to \$49,000* (plus an additional \$5,500 if age 50 or over).

If you could contribute more without greatly increasing the contributions for non-owners – would you do it?

Add a Cash Balance Plan

Here is an example of how a 401(k)/Cash Balance Plan combination can look:

EMPLOYEE	COMP	401(k)	PROFIT SHARING	% of Pay	CASH BALANCE	% of Pay	TOTAL
Owner 1	\$ 245,000	\$ 16,500	\$ 13,720	5.6%	\$ 142,210	58.0%	\$ 172,430
Owner 2	\$ 150,000	\$ 5,000	\$ 8,348	5.6%	\$ 10,000	6.7%	\$ 23,348
Employee 1	\$ 17,564	\$ -	\$ 1,196	6.8%	\$ 404	2.3%	\$ 1,600
Employee 2	\$ 12,332	\$ 1,958	\$ 840	6.8%	\$ 284	2.3%	\$ 3,081
Employee 3	\$ 30,488	\$ -	\$ 2,076	6.8%	\$ 701	2.3%	\$ 2,777
Employee 4	\$ 44,365	\$ 2,051	\$ 3,021	6.8%	\$ 1,020	2.3%	\$ 6,093
Employee 5	\$ 29,604	\$ -	\$ 2,016	6.8%	\$ 681	2.3%	\$ 2,697
Employee 6	\$ 34,075	\$ -	\$ 2,320	6.8%	\$ 784	2.3%	\$ 3,104
Employee 7	\$ 35,207	\$ 1,128	\$ 2,398	6.8%	\$ 810	2.3%	\$ 4,335
TOTALS	\$ 598,634	\$ 26,637	\$ 35,935		\$ 156,894		\$ 219,466

NOTES

Owner 1 wants to maximize, but Owner 2 does NOT
 Owners get 90% of overall employer contribution (excluding 401k)

Who is an ideal client for this?

Employer's who:

- Want to save more than 401(k) Profit Sharing allows
- Have Consistently high earnings
- Are willing to contribute higher amounts for staff to produce much higher amounts for owners

Are you Interested?

Contact us. We can work with you and your professional advisors to analyze whether adding a Cash Balance Plan will help you achieve your objectives.

* 2010 Limit

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