



CASH BALANCE PLANS:

A COST-EFFECTIVE SOLUTION FOR GREATER TAX & RETIREMENT SAVINGS

THE POWER OF TAX-DEFERRED GROWTH = INCREASED SAVINGS

Faced with consistently rising federal taxes and retirement ready shortfalls, many business owners/professionals are now looking for ways in which they can save taxes and build retirement wealth. To achieve this, they may want to defer more than the maximum contribution of \$66,000 in their 401(k) Plan, but are not aware that they can. A **Cash Balance Plan** may be the single, best solution available. Utilizing the power of tax-deferred growth, a **Cash Balance Plan** can not only help reduce the consequences of tax increases, but it can enable business owners to actually save taxes, increase their retirement savings and fully achieve their retirement goals.

RETIREMENT READINESS

A **Cash Balance Plan** provides:

- › Significantly higher tax deferred contributions (as much as **\$395,000*** annually —far greater than the **\$66,000*** limit for a 401(k) Defined Contribution Plan alone) and all of the contributions to the plan are tax deductible to the business
- › Acceleration of retirement savings
- › Portable dollars in the event of a change in job or termination
- › More flexibility than a Defined Benefit Plan
- › Many distribution options upon retirement including a lump sum payout or rollover to an IRA

WHO IS A GOOD FIT FOR A CASH BALANCE PLAN?

An ideal candidate for a **Cash Balance Plan** includes:

- › Business owners or partners who are over the age of 45 and want to “catch up” on their pension savings
- › Business owners or partners, earning more than \$330,000 per year, who would like to contribute (and deduct) more than \$66,000 and who employ younger, lower-paid employees
- › Organizations that already contribute 3-6% or more to employees or that are willing to do so
- › Companies that anticipate consistent profits for the next 3-5 years

To take full advantage of the tax and retirement savings that a **Cash Balance Plan** can provide for 2023, the plan must be established before **December 31, 2023** (the plan can be funded when the tax return is due).

THE ERP SOLUTION

ERP Retirement Services' corporate mission is to help businesses save money and accumulate retirement wealth with a qualified retirement plan solution. Known and respected as an industry leader, ERP effectively delivers superior, customized retirement plan designs, compliant plan administration and experienced actuarial and retirement plan services that reduce plan costs and increase savings. Our team of credentialed pension professionals is committed to providing timely information and proactive solutions to help business owners save money through their 401(k) and other qualified retirement plans.

2023 Combined 401(K)/Cash Balance Contribution Limits ¹	
Age	Max Contribution (\$)
26 - 32	124,000
33	128,000
34	132,000
35	137,000
36	142,000
37	148,000
38	154,000
39	160,000
40	166,000
41	173,000
42	180,000
43	188,000
44	196,000
45	204,000
46	213,000
47	222,000
48	232,000
49	242,000
50	260,000
51	272,000
52	284,000
53	296,000
54	310,000
55	324,000
56	338,000
57	354,000
58 - 63	370,000 +
64 +	395,000 +

*The maximum contribution is indexed for inflation and usually increases annually.

¹ Subject to the compensation amount of the individual.

Please note that a Cash Balance Plan may not be a good option for every company as it requires contributions to employees which can be substantial and unlike a DC Plan, there are required annual minimum contributions.