



Cash Balance Plan



Cash Balance plans allow lawyers to accelerate retirement savings in a tax-favored fashion. Pairing an existing 401(k) Profit Sharing plan with a Cash Balance plan can lead to between \$100,000 and \$300,000 each in contributions on behalf of the owner-partners. The plan is also flexible in terms of who is covered and how much is contributed on behalf of the owner-partners. Upon retirement, or leaving the firm, the participant can roll over their lump sum to an IRA, which is not a taxable event.

WHY CASH BALANCE PLANS FOR LAW FIRMS?

Law firms are excellent candidates for Cash Balance plans. It's easy to see why — these plans:

- Reduce taxable income
- Allow flexible contribution levels for owner-partners
- Are a powerful tool for recruiting and retaining top talent
- Squeeze 20 years of savings into 10
- Fully protect assets from creditors
- Are portable and allow lump-sum rollovers into an IRA

LAW FIRM OVERVIEW

- 15 owner-partners
- 35 associates
- 60 other employees
- Currently maintains a 401(k) plan with a Safe Harbor feature

CHALLENGES

- Older partners need to accelerate their retirement savings
- Each partner needs the flexibility to contribute different amounts and not be locked into a required contribution
- Partners want the option to set up a separate 401(k) plan for associates
- Management and non-participating partners want to minimize liability for other partners' contribution amounts

“We are all very happy with the results and the dramatic improvement in the retirement package.”

– Satisfied Owner-Partner

PLAN DESIGN SOLUTION:

- FuturePlan designed a Cash Balance plan allowing the below contribution amounts for the owner-partners
- Associates did not contribute to the Cash Balance plan and only contributed 3% of their pay to the Safe Harbor Profit Sharing plan, to satisfy non-discrimination testing
- The Interest Crediting Rate was tied to the performance of the portfolio, thereby greatly reducing risk

Cash Balance Plan Illustration

Year Ending December 31, 2022

Name	Age	Annual Salary	401(k)	Profit Sharing	Cash Balance	Total Contribution	Tax Savings*
Group 1: 15 Owners							
Partner 1	70	\$305,000	\$27,000	\$40,500	\$0 to \$324,105	\$391,605	\$176,222
				↓	↓		
Partner 15	40	\$305,000	\$20,500	\$40,500	\$0 to \$105,147	\$166,147	\$74,766
Subtotals (15 Partners)		\$4,575,000	\$372,500	\$607,500	\$3,262,147	\$4,242,147	\$1,908,966
Group 2: 35 Associates				7.5% of pay			
Associate 1	60	\$130,001		\$9,750	\$0	\$9,750	
				↓	↓		
Associate 35	40	\$130,001		\$9,750	\$0	\$9,750	
Group 3: 60 Employees				7.5% of pay			
Employee 1	66	\$85,000		\$6,375	\$0	\$6,375	
				↓	↓		
Employee 60	23	\$20,000		\$1,500	\$322	\$1,822	
Subtotals (60 Employees)		\$6,437,910	\$0	\$482,844	\$27,594	\$510,438	\$229,697
Grand Totals		\$11,012,910	\$372,500	\$1,090,344	\$3,289,741	\$4,752,585	\$2,138,663
Percent of Contribution to Owners						89.3%	

*Assumes a 45% tax rate; taxes are deferred only. Retirement plan illustration for the year ending December 31, 2022. This illustration shows only the cost to the firm. Staff employees and others pay for their own 401(k) contributions.

WHY FUTUREPLAN?

Since the early 1990s, the Cash Balance Center of Excellence at FuturePlan has been designing and administering these plans successfully. And in this space, experience matters. Serving more than 4,000 Cash Balance Plans, and hundreds of law firms as clients, FuturePlan brings deep expertise and options to the design table. We are among the country's leading administrators of Cash Balance plans.

Backed by the strength and security of Ascensus, we're a technologically advanced national organization with the heart and soul of a hands-on business partner. Visit futureplan.com to connect with our Cash Balance plan experts or to request a custom illustration.

☎ 866-929-2525 ✉ Contact@FuturePlan.com

*All information is for illustrative purposes only and is not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. FuturePlan by Ascensus provides plan design, administration and compliance services and is not a broker dealer or an investment advisor. Copyright ©2022, Ascensus, LLC. All Rights Reserved. 899500-FUT-899501 (08/2022)