



Cash Balance Plan



Catching up on delayed retirement savings and reducing tax liabilities are the two biggest financial challenges facing many physicians today. Cash Balance plans may solve both challenges. Pairing a Cash Balance plan with a medical group's existing 401(k) Profit Sharing plan allows physicians to double or even triple pre-tax retirement savings. These contributions can also reduce taxable income.

WHY CASH BALANCE PLANS FOR MEDICAL GROUPS?

Health care and medical groups account for nearly 40% of all Cash Balance plans in the United States today,¹ a higher percentage than any other business sector. It's easy to see why — these plans:

- Reduce taxable income
- Allow flexible contribution levels for owner-physicians
- 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

MEDICAL GROUP OVERVIEW

- More than 100 owner-physicians
- More than 30 mid-level providers and registered nurses
- More than 400 other employees
- Currently maintains a 401(k) plan with 3% Safe Harbor
- An additional 2% contribution is made for employees, which allows owner-physicians to maximize their profit-sharing amount

CHALLENGES

- Physicians over age 50 need to accelerate their retirement savings
- Physicians under age 50 don't want the group to take on undue liability
- The group wants to allocate costs for the plan equitably
- The group is concerned with achieving the targeted Interest Crediting Rate (ICR) of 5%

"Adding a Cash Balance plan made a profound difference for our group in terms of retirement readiness."

– Chair of Large Medical Group Retirement Committee

PLAN DESIGN SOLUTION:

- FuturePlan designed a Cash Balance plan allowing the below contribution amounts for the owner-physicians
- It was a physician-only plan because 50 owners received a contribution of at least \$25,000
- The ICR was tied to the performance of the portfolio, thereby greatly reducing risk
- The employees received an enhanced profit-sharing amount to satisfy non-discrimination testing

Retirement Plan Illustration

Year Ending December 31, 2022

Name	401(k)	Profit Sharing	Cash Balance	Total Contribution	Tax Savings*
Partners age 50 or above					
Partner 1	\$27,000	\$40,500	\$218,000	\$285,500	\$128,475
↓		↓	↓		
Partner 63	\$27,000	\$40,500	\$139,000	\$206,500	\$92,925
Subtotals (63 Partners)	\$1,701,000	\$2,551,500	\$8,510,000	\$12,762,500	\$5,743,125
Partners under age 50					
Partner 1	\$20,500	\$40,500	\$120,000	\$181,000	\$81,450
↓		↓	↓		
Partner 53	\$20,500	\$40,500	\$77,000	\$138,000	\$62,100
Subtotals (53 Partners)	\$1,086,500	\$2,146,500	\$4,351,000	\$7,584,000	\$3,412,800
Partners Total	\$2,787,500	\$4,698,000	\$12,861,000	\$20,346,500	\$9,155,925
18 associate physicians	n/a	\$0	\$0	\$0	\$0
35 mid-level providers & RNs	n/a	\$196,875	\$0	\$196,875	\$88,594
387 other employees	n/a	\$1,451,250	\$0	\$1,451,250	\$653,063
Total	\$2,787,500	\$6,346,125	\$12,861,000	\$21,994,625	\$9,897,581
Percent to Partners				92.5%	

*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 group. 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 more than 50 large medical groups as clients, FuturePlan brings all the necessary expertise and options to the design table. We are among the country's leading plan administrators.

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](https://www.futureplan.com) to connect with our Cash Balance plan experts or to request a custom illustration.

¹FuturePlan 2020 National Cash Balance Research Report.

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