

— 2025 CASH BALANCE PLANS

Identifying Ideal Candidates for Cash Balance Plans

Cash balance plans are an excellent way for high-income earners and small business owners to significantly reduce current tax liability by deferring taxes and accelerating retirement savings.

Recognizing who may be a good fit for these plan types can help financial advisors build and diversify their scope of services. FuturePlan's Cash Balance Center of Excellence has designed thousands of cash balance plans and found that the following are characteristic of an ideal candidate:

1. Principals seeking a tax deduction of more than \$70,000 (\$77,500 if age 50+) or making more than \$275,000 per year
2. Highly profitable companies of all types and sizes
3. Successful family businesses and closely held businesses
4. CPA and law firms, medical groups, and professional firms
5. Older owners who need to catch up on retirement savings

2025 Maximum Contribution Limits 401(k), 401(k) with Profit Sharing and Cash Balance Plans

Age	401(k) only	401(k) with profit sharing	Cash balance	Total	Tax savings*
66-70	\$31,000	\$77,500	\$383,000	\$460,500	\$207,200
60-65	\$31,000	\$77,500	\$342,000	\$419,500	\$188,700
55-59	\$31,000	\$77,500	\$280,000	\$357,500	\$160,800
50-54	\$31,000	\$77,500	\$218,000	\$295,500	\$132,900
45-49	\$23,500	\$70,000	\$170,000	\$240,000	\$108,000
40-44	\$23,500	\$70,000	\$132,000	\$202,000	\$90,900
35-39	\$23,500	\$70,000	\$103,000	\$173,000	\$77,800
30-34	\$23,500	\$70,000	\$81,000	\$151,000	\$67,900

***Important:** If you want to obtain your own, or your client's personalized scenario, please provide FuturePlan with a full, up-to-date owner and employee census in order to receive a customized plan design illustration. FuturePlan by Ascensus does not provide tax, legal, or accounting advice. This material has been prepared for informational and illustrative purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You or your client should consult your/their own tax, legal, and accounting advisors before engaging in any transaction. **FuturePlan by Ascensus provides plan design, administration, and compliance services. It is not a broker-dealer or an investment advisor and does not provide tax, legal, or accounting services.** (SEE REVERSE FOR ADDITIONAL DISCLOSURES.)

Let's Connect

If you need a custom proposal, illustration, or have specific prospect or client questions, reach out to us.

 866-929-2525
  sales@futureplan.com
 futureplan.com
 cashbalancedesign.com

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EXPERIENCE MATTERS

FuturePlan's Cash Balance Center of Excellence has been successfully designing and administrating cash balance plans for 36 years. As one of the country's leading cash balance plan administrators, we bring deep expertise and a multitude of options to the plan design table.



4,500+
cash balance
plans serviced



470
credentialed
retirement plan
professionals



36
years of cash
balance plan
expertise**



60
on-staff
actuaries

*(Plan Limits) \$23,500 for 401(k) plan; \$7,500 catch-up (age 50 or older); \$46,500 profit sharing. Amounts shown in the chart do not include the additional catch-up contributions for participants aged 60-63. This hypothetical chart assumes a 45% tax bracket of combined federal and state taxes and taxes are deferred. The following assumptions also apply:

- Maximum annual contribution amounts for the cash balance/defined benefit plan are calculated using 4% interest rates and assuming no pre-retirement mortality and using the latest available applicable mortality tables.
- The maximum cash balance amounts assume a 3-year average compensation of at least \$280,000 (the maximum annuity limit for 2025), and prior years of service.
- The amounts needed to fund the cash balance/defined benefit plan may be reduced by a participant's prior highest 3-year salary history if it is less than the IRS maximum annuity limit (as shown above) or below the IRS maximum compensation limits under 401(a)(17) (e.g., \$350,000 for 2025, \$345,000 for 2024, etc.) and other deduction limits may apply.
- The amounts needed to fund in the cash balance/defined benefit plan will also be reduced if a participant participated in any prior cash balance/defined benefit plan of the employer or a related employer.
- Further, amounts shown may be reduced if the cash balance/defined benefit plan is not covered by the Pension Benefit Guaranty Corporation (PBGC), which may limit the amount available to fund in any paired 401(k) profit sharing plan of the employer. Plans typically not covered by the PBGC are professional service businesses with fewer than 26 active participants.
- It is also important to note that amounts shown are estimates and will vary depending on an employer's demographics of owners and employees along with a myriad of other factors and considerations.

**As of 2025.

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