

# Cash Balance Plans

Referred to as “Hybrid Plan”

A Defined Benefit Plan that looks  
like a Defined Contribution Plan

Presented by:

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## ➤ CASH BALANCE PLAN

- *Referred to as Hybrid Plan*

## ▶ LOOKS LIKE A DEFINED CONTRIBUTION PLAN

- *Hypothetical account balance for each participant*
- *Pay credits and Interest credits each year*

## ▶ DEFINED BENEFIT PLAN

- Plan Sponsor decides on the level of benefit to be earned for owners and employees
- Plan Sponsor makes the tax-deductible contributions on behalf of participants, invests the assets and assumes the risk for investment gains or losses
- Higher maximum tax-deductible contribution limits than defined contribution plans (e.g. 401(k) plans)

# Is a Cash Balance Plan Right for your Clients?

- ▶ Client concerns about paying high taxes
- ▶ Already maximizing contribution to 401(k)/profit sharing plan and want to save more on a tax deferred basis.
- ▶ Owners are over the age of 40
- ▶ Most of the Employees are younger than the Owners
- ▶ Consistent Company cash flow that will permit annual contributions
- ▶ Willing to commit to multiple years of funding contributions (Minimum 3 years)

## Cash Balance Plan—Maximum Annual Benefits

For an owner with annual compensation of \$290,000 or higher, the 2021 maximum cash balance plan benefit based on the owner's age is:

| Age | Maximum Cash Balance |
|-----|----------------------|
| 29  | \$ 59,000            |
| 30  | \$ 62,000            |
| 31  | \$ 65,000            |
| 32  | \$ 68,000            |
| 33  | \$ 72,000            |
| 34  | \$ 75,000            |
| 35  | \$ 79,000            |
| 36  | \$ 83,000            |
| 37  | \$ 87,000            |
| 38  | \$ 91,000            |
| 39  | \$ 96,000            |
| 40  | \$ 101,000           |
| 41  | \$ 106,000           |
| 42  | \$ 111,000           |
| 43  | \$ 117,000           |
| 44  | \$ 122,000           |
| 45  | \$ 129,000           |
| 46  | \$ 135,000           |
| 47  | \$ 142,000           |
| 48  | \$ 149,000           |
| 49  | \$ 156,000           |

| Age | Maximum Cash Balance |
|-----|----------------------|
| 50  | \$ 164,000           |
| 51  | \$ 172,000           |
| 52  | \$ 181,000           |
| 53  | \$ 190,000           |
| 54  | \$ 199,000           |
| 55  | \$ 209,000           |
| 56  | \$ 220,000           |
| 57  | \$ 231,000           |
| 58  | \$ 242,000           |
| 59  | \$ 255,000           |
| 60  | \$ 267,000           |
| 61  | \$ 281,000           |
| 62  | \$ 295,000           |
| 63  | \$ 289,000           |
| 64  | \$ 283,000           |
| 65  | \$ 277,000           |
| 66  | \$ 277,000           |
| 67  | \$ 277,000           |
| 68  | \$ 277,000           |
| 69  | \$ 277,000           |
| 70  | \$ 277,000           |

**In some situations, an owner can earn the maximum cash balance benefit shown in this exhibit with annual plan compensation as low as \$230,000.**

## Maximum Annual Benefits– Cash Balance plus 401(k) Profit Sharing

For an owner with annual compensation of \$290,000 or higher, the 2021 maximum cash balance plan benefit plus 401(k) profit sharing plan based on the owner's age is:

| Age | Cash Balance | Employee<br>401(k)<br>Deferral | Employer Profit Sharing | Maximum Total |
|-----|--------------|--------------------------------|-------------------------|---------------|
| 29  | \$ 59,000    | \$ 19,500                      | \$ 17,400               | \$ 95,900     |
| 30  | \$ 62,000    | \$ 19,500                      | \$ 17,400               | \$ 98,900     |
| 31  | \$ 65,000    | \$ 19,500                      | \$ 17,400               | \$ 101,900    |
| 32  | \$ 68,000    | \$ 19,500                      | \$ 17,400               | \$ 104,900    |
| 33  | \$ 72,000    | \$ 19,500                      | \$ 17,400               | \$ 108,900    |
| 34  | \$ 75,000    | \$ 19,500                      | \$ 17,400               | \$ 111,900    |
| 35  | \$ 79,000    | \$ 19,500                      | \$ 17,400               | \$ 115,900    |
| 36  | \$ 83,000    | \$ 19,500                      | \$ 17,400               | \$ 119,900    |
| 37  | \$ 87,000    | \$ 19,500                      | \$ 17,400               | \$ 123,900    |
| 38  | \$ 91,000    | \$ 19,500                      | \$ 17,400               | \$ 127,900    |
| 39  | \$ 96,000    | \$ 19,500                      | \$ 17,400               | \$ 132,900    |
| 40  | \$ 101,000   | \$ 19,500                      | \$ 17,400               | \$ 137,900    |
| 41  | \$ 106,000   | \$ 19,500                      | \$ 17,400               | \$ 142,900    |
| 42  | \$ 111,000   | \$ 19,500                      | \$ 17,400               | \$ 147,900    |
| 43  | \$ 117,000   | \$ 19,500                      | \$ 17,400               | \$ 153,900    |
| 44  | \$ 122,000   | \$ 19,500                      | \$ 17,400               | \$ 158,900    |
| 45  | \$ 129,000   | \$ 19,500                      | \$ 17,400               | \$ 165,900    |
| 46  | \$ 135,000   | \$ 19,500                      | \$ 17,400               | \$ 171,900    |
| 47  | \$ 142,000   | \$ 19,500                      | \$ 17,400               | \$ 178,900    |
| 48  | \$ 149,000   | \$ 19,500                      | \$ 17,400               | \$ 185,900    |
| 49  | \$ 156,000   | \$ 19,500                      | \$ 17,400               | \$ 192,900    |

# ESTATE *and* PENSION

ADVISORY BOARD

*Actuaries, Administrators and Consultants*

## Maximum Annual Benefits– Cash Balance plus 401(k) Profit Sharing

For an owner with annual compensation of \$290,000 or higher, the 2021 maximum cash balance plan benefit plus 401(k) profit sharing plan based on the owner's age is:

| Age | Cash Balance | Employee<br>401(k)<br>Deferral | Employer<br>Profit Sharing | Maximum Total |
|-----|--------------|--------------------------------|----------------------------|---------------|
| 50  | \$ 164,000   | \$ 26,000                      | \$ 17,400                  | \$ 207,400    |
| 51  | \$ 172,000   | \$ 26,000                      | \$ 17,400                  | \$ 215,400    |
| 52  | \$ 181,000   | \$ 26,000                      | \$ 17,400                  | \$ 224,400    |
| 53  | \$ 190,000   | \$ 26,000                      | \$ 17,400                  | \$ 233,400    |
| 54  | \$ 199,000   | \$ 26,000                      | \$ 17,400                  | \$ 242,400    |
| 55  | \$ 209,000   | \$ 26,000                      | \$ 17,400                  | \$ 252,400    |
| 56  | \$ 220,000   | \$ 26,000                      | \$ 17,400                  | \$ 263,400    |
| 57  | \$ 231,000   | \$ 26,000                      | \$ 17,400                  | \$ 274,400    |
| 58  | \$ 242,000   | \$ 26,000                      | \$ 17,400                  | \$ 285,400    |
| 59  | \$ 255,000   | \$ 26,000                      | \$ 17,400                  | \$ 298,400    |
| 60  | \$ 267,000   | \$ 26,000                      | \$ 17,400                  | \$ 310,400    |
| 61  | \$ 281,000   | \$ 26,000                      | \$ 17,400                  | \$ 324,400    |
| 62  | \$ 295,000   | \$ 26,000                      | \$ 17,400                  | \$ 338,400    |
| 63  | \$ 289,000   | \$ 26,000                      | \$ 17,400                  | \$ 332,400    |
| 64  | \$ 283,000   | \$ 26,000                      | \$ 17,400                  | \$ 326,400    |
| 65  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |
| 66  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |
| 67  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |
| 68  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |
| 69  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |
| 70  | \$ 277,000   | \$ 26,000                      | \$ 17,400                  | \$ 320,400    |