



Cash Balance Plan

To determine the corporate's next financial management strategy to become more profitable



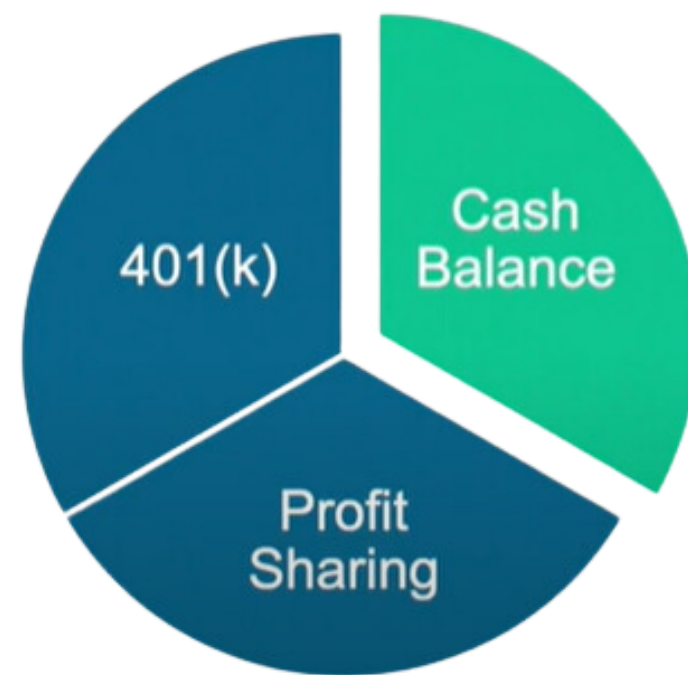
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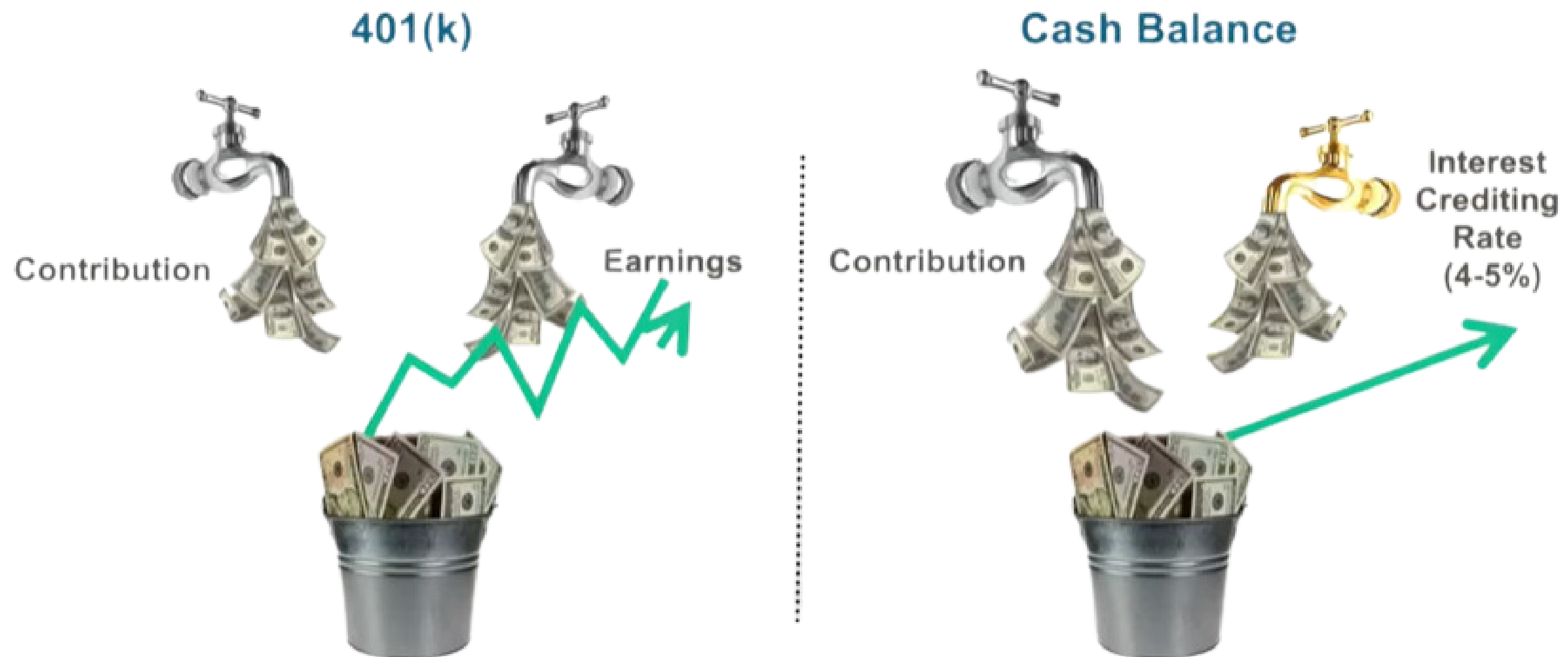
Who is ideal?

- Professional services firms: medical groups, CPAs, law firms, financial services
- "-Ologists"
- Law firms
- Venture capital/financial services
- Companies with 1 to 500 partners

**Businesses with existing
New Comparability Plan**



How Do Cash Balance Plans Work?



Typical Small Business

2 Owners

James Marshall	61	\$305,000
Tammy Marshall	56	\$65,000
Subtotals		\$370,000

4 Staff

Brandon Byrd	41	\$51,000
Sarah Droste	35	\$41,000
Ryan Osler	28	\$34,000
Jimmy Bond	44	\$21,000

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Common Plan – Maximize Owner

Name	Age	Annual Salary	401(k)	Profit Sharing	Total Contribution
2 Owners					
James Marshall	61	\$305,000	\$27,000	\$40,500	\$67,500
Tammy Marshall	56	\$65,000	\$27,000	\$9,750	\$36,750
Subtotals		\$370,000	\$54,000	\$50,250	\$104,250
4 Staff					
				5% of pay	
Brandon Byrd	41	\$51,000		\$2,550	\$2,550
Sarah Droste	35	\$41,000		\$2,050	\$2,050
Ryan Osler	28	\$34,000		\$1,700	\$1,700
Jimmy Bond	44	\$21,000		\$1,050	\$1,050

All Together

Name	Age	Annual Salary	401(k)	Profit Sharing	Cash Balance	Total Contribution	Tax Savings*
2 Owners							
James Marshall	61	\$305,000	\$27,000	\$40,500	\$298,789	\$366,289	\$164,830
Tammy Marshall	56	\$65,000	\$27,000	\$3,900	\$0 to \$56,000	\$86,900	\$39,105
Subtotals		\$370,000	\$54,000	\$44,400	\$354,789	\$453,189	\$203,935
4 Staff							
				7.5% of pay			
Brandon Byrd	41	\$51,000		\$3,825	\$700	\$4,525	
Sarah Droste	35	\$41,000		\$3,075	\$700	\$3,775	
Ryan Osler	28	\$34,000		\$2,550	\$700	\$3,250	
Jimmy Bond	44	\$21,000		\$1,575	\$700	\$2,275	
Subtotals		\$147,000		\$11,025	\$2,800	\$13,825	\$6,221
Grand Totals		\$517,000	\$54,000	\$55,425	\$357,589	\$467,014	\$210,156
Percentage of Contribution to Owners					97%		

*Tax Savings assume a 45% tax bracket, varies by state. Taxes are deferred. Maximum 401(k) with Profit Sharing amounts may be reduced if compensation is lower than the IRS maximum compensation limit of \$305,000 and other deduction limits may apply. Maximum cash balance amounts assume a 3-year average compensation of at least \$245,000. Lower 3-year average compensation may reduce the amounts shown.

Impact of Tax Reform

By contributing \$335,000 or more to the retirement plan, his effective federal tax rate could drop to 20.1%

Taxable income (after retirement contributions)	\$315,000 = (\$650,000 – \$335,000)
20% pass-through deduction for \$115,000*	\$23,000 = (20% * \$115,000)*
Final taxable income	\$292,000 = (\$315,000 – \$23,000)
Tax liability from new tax brackets	\$58,659 = (\$28,179+ (\$127,000 * 24%))
Effective tax rate (Tax liability / Taxable income)	20.1% = (\$58,659 / \$292,000)

****We are assuming \$200,000 of income is W2 wages and \$115,000 is Qualified Business Income (QBI).***

Qualified Retirement Plan & 20% Deduction

S Corporation (financial services) – married shareholder

W2 compensation	\$200,000
QBI	\$300,000
Taxable income	\$500,000 (exceeds \$440,100 limit)
20% Deduction	\$0
Cash Balance contribution	\$185,000
Taxable income	\$315,000 (\$500,000 - \$185,000)
QBI	\$115,000 (\$300,000 - \$185,000)
20% Deduction increases to	\$23,000 (20% of \$115,000)
Net taxable income	\$292,000 (\$315,000 - \$23,000)

\$185,000 contribution creates \$208,000 reduction in taxable income

Subject to phase outs based on income > \$170,050 (Single) or >\$340,100 (Married filing jointly)



Thank You

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