Cash Balance Plan Case Study

Orthopedic Specialties, PA

Dr. Doug is 50 years old and has been in private practice for over 20 years. His income has been steadily increasing and now runs about $500,000 per year before taxes.

He established a 401(k) about 12 years ago and has been putting the maximum in each year. He has accumulated about $550,000 for himself inside the plan.

He would like to accumulate another $3.4mm in retirement plan assets.

After reviewing his taxes with his CPA, he realizes that he is paying more in taxes than ever before and needs additional deductions. Orthopedic Specialties, PA has five full-time employees who qualify for the plan.

After meeting with his financial advisor, it was recommended that a cash balance plan be considered for the following reasons:

- Ability to contribute more tax-deductible dollars than the 401(k) plan alone will allow.
- Allow Dr. Doug to accumulate significant retirement assets over the next 10 to 15 years.
- Shelter assets from creditors.
- Leverage benefits in favor of business owners.
- Ability to pair with the current 401(k) plan.

Here is the plan design that Dr. Doug selected:

Cash Balance + 401k Illustration

DEMOGRAPHICS			CONTRIBUTIONS			
EMPLOYEE	AGE	SALARY	401K DEFERRAL	PROFIT SHARING	CB CREDIT	TOTAL W/O DEFERRAL
Dr. Doug	50	$345,000	$30,500	$17,250	$260,475	$277,725
Mary	50	$40,000	$2,000	$2,840	$800	$3,640
Barbara	40	$35,000	$1,750	$2,485	$700	$3,185
Joanne	35	$45,000	$2,250	$3,195	$900	$4,095
Erin	30	$50,000	$2,500	$4,500	$1,000	$5,500
Stephanie	25	$30,000	$1,500	$2,130	$600	$2,730
% to Owner					98.5%	93.5%

This is a hypothetical example dependent on specific assumptions and used for illustrative purposes only. Full amounts may not be tax deductible in the first plan year.

Additional Questions or Comments?

Please contact your Regional JULY Sales Representative or Client Service Manager at 888.333.5859 or visit our website at www.julyservices.com.