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	$350,000	$31,000	$18,200	$262,500	$311,700
Mary	50	$40,000	$2,000	$2,620	$800	$3,420
Barbara	40	$35,000	$1,750	$2,293	$700	$2,993
Joanne	35	$45,000	$2,250	$2,948	$900	$3,848
Erin	30	$50,000	$2,500	$4,225	$1,000	$5,225
Stephanie	25	$30,000	$1,500	$1,965	$600	$2,565
% to Owner						**94.5%**

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?
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