

BERNSTEIN CASH BALANCE ADVISORY SERVICES

Is a Cash Balance Plan Right for You?

Higher tax rates have increased the popularity of cash balance plans for professional practices and small businesses where owners/partners seek greater tax-deferred savings growth. Bernstein can help you evaluate whether a cash balance plan is right for your firm.

WHAT IS A CASH BALANCE PLAN?

- A defined-benefit pension plan that has features similar to a defined-contribution plan. Participants have an individual account balance, which they can roll into an IRA when they turn 59 ½, leave the firm, or the plan is terminated.

WHAT ARE THE BENEFITS OF A CASH BALANCE PLAN?

- Higher contribution limits—for older individuals, contribution limits are up to four to five times higher than defined, contribution plans.
- Tax deferral—Bernstein has estimated that tax deferral adds roughly 2% per year to returns.
- Flexibility—each partner can choose his/her own contribution level but should commit to 3–5 years of set contributions.
- Creditor protection—plans are protected from the firm’s creditors.

WHO ARE GOOD CANDIDATES FOR A CASH BALANCE PLAN?

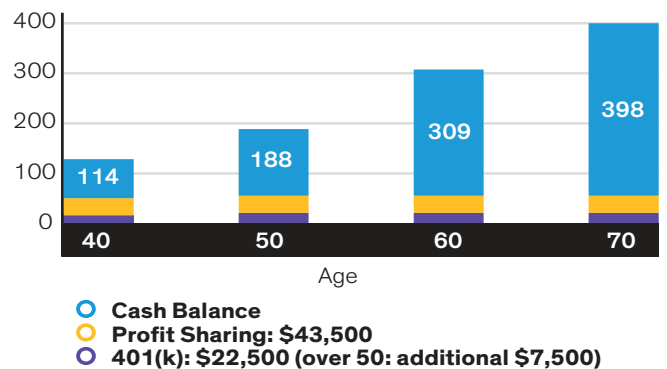
Firms that have:

- Partners who want to contribute more than \$66,000 (the maximum permitted for defined-contribution plans) each year to qualified retirement plans.

- Older partners/owners who want to catch up on their retirement savings.
- Relatively steady cash flow.
- Ratio of staff to owners typically less than 10 to one.
- A 401(k) and profit-sharing plan already in place; adding a cash balance plan will significantly increase benefits for firm principals, *with potentially only a modest increase in firm contributions.*

MAXIMUM ANNUAL CONTRIBUTION

USD Thousands



Please contact your Bernstein Advisor if you would like to learn more about our strategies for successfully investing in cash balance plans.

Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.