

CASH BALANCE DEFINED BENEFIT PLAN:

A Wealth Accumulation Strategy for High
Income Business Owners

BEFORE WE GET STARTED...

Many closely held business owners are looking for ways to reduce their annual income tax burden and accelerate their retirement savings. Unfortunately, most of the conventional Defined Contribution Plans available to them today (401k, Profit-Sharing, etc.) significantly limit the amount the business owner can contribute to these “tax-advantaged” retirement savings plans based on IRS regulations.

However, a Defined Benefit Plan can allow closely held business owners to significantly increase their ability to receive income tax benefits and accelerate tax-qualified retirement savings by allowing much larger annual contributions than can be obtained with a 401(k) or Profit-Sharing Plan. This gives them the opportunity to catch up on retirement savings if they delayed their savings for retirement while significantly reducing their annual taxable income. As such, these plans have become particularly attractive to successful closely held and professional businesses who are initially attracted by the large deductible contributions. This includes, physicians, attorneys, dentists, athletes, entertainers, independent consultants, mortgage brokers, real estate agents, software developers, moonlighters, construction trades, or any small business owner with significant free cash flow.

The ideal small business owner candidate for this type of plan generally displays the following characteristics:

Age 45 or older	Making at least \$500,000-750,000 annually with a capacity to save a substantial amount of their income	Has less than 10-15 employees	Has a current level of income that will continue for the next 3-5 years
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Unlike a Defined Contribution Plan (401k, Profit Sharing), where the contribution to the plan is defined and the benefit will be determined by investment performance and number of years of investing, the Defined Benefit Plan allows the business owner to target a specific lump sum benefit at a later retirement date and the annual contribution is then calculated based on an assumed rate of return. The closer the individual is to retirement, and the lower the assumed rate of return, the larger the contribution.

A Defined Benefit Plan is based on the age of the participant and their compensation. Assume we have a small business owner with few, if any, employees and great cash flow. In 2020, the IRS will allow them to use up to \$285,000 of compensation for the calculation and target a lump sum benefit approaching \$3m at retirement. The actuary will then calculate the annual contributions that need to be made to the Defined Benefits Plan to fund the lump sum. Can you imagine how large the annual tax-deductible contributions would need to be with say a 3-5% assumed return and a limited number of years until retirement?

The plan also gives the business owner the flexibility to contribute more in good years and lower the contributions when the cash flow won't permit higher contributions. Of course, the plan can be amended from time to time to adjust to changes in the business situation.

Remember, you must consider the employees in the plan and their inclusion and contributions to their account will be based on a number of factors. Before instituting a plan of this nature, it makes sense for the actuary to run a feasibility study to make sure the plan meets the owner's objectives for tax, retirement, and financial planning. This is why this type of plan is ideal for business owners closer to retirement with few, if any, employees.

CASH BALANCE PLANS

A Cash Balance Plan is a unique type of tax-qualified Defined Benefit Plan that can be combined with a Defined Contribution Plan to optimize the benefit for the business owner(s). It is structured to be a tax control tool and handle the tax situation for a particular client. These "Modern Pension Plans" are much more flexible in design than the pension plans of the past. This is what makes them such a good tax control tool for closely held and professional businesses.

This type of plan has experienced increased popularity in recent years for a multitude of reasons:

Niche Retirement Plan – Cash Balance Plans are a great retirement plan fit and solution for physician groups, dental groups, and other professional practices. They also work well for other closely held business owners or self-employed individuals.

Tax-Deductible Contributions – A Cash Balance Plan in a tax-qualified retirement plan like 401(k) Plans. That means that the contributions made to a Cash Balance Plan are tax-deductible and the investment earnings are tax-deferred. As such, Cash Balance Plans assets are not subject to income tax until withdrawn from the plan or a rollover IRA.

Higher Contribution Limits – A Cash Balance Plan provides for much higher tax-deductible contributions than a 401(k) Profit Sharing Plan alone can provide. The maximum contribution amount is dependent upon an individual's age and compensation, generally increasing with age.

Creditor Protection – the Plan assets in a Cash Balance Plan are ERISA creditor protected.

Flexible Design – A Cash Balance Plan can easily provide for different levels of benefit and contributions for individual owners, physicians, partners, and other key individuals.

Supplemental to a 401(k) Plan – A Cash Balance Plan can be maintained along with and as a companion to a 401(k) Profit Sharing Plan.

Benefit defined in Plan Document

- The Plan Document provides for annual allocation and interest credit.
- The interest crediting rate is usually a fixed rate between 3% and 5% but could also use a return based on a specific market index. However, a low fixed interest crediting rate is often preferred in order to maximize contributions in the early years and minimize the cost of the plan.

A Smarter Defined Benefit Plan

Communication — The benefits are communicated as an account balance that equates to what a participant could receive in a lump sum if eligible for distribution. This is much easier for all to understand than traditional Defined Benefit Plan benefits.

Age Neutral for Staff — It is possible, and often common, for a Cash Balance Plan to provide for the same contribution rate amongst staff. This was not possible with older, traditional Defined Benefit Pension Plans and often resulted in unfavorable contribution cost amounts for certain employees.

Increased Flexibility — Cash Balance Plans are inherently more flexible than traditional Defined Benefit Plans when it comes to allocation and contribution amounts and ranges; allowing for ranges of contributions each year from minimal funding to maximal deduction. The plan can also be frozen or amended to increase benefits and funding range or lower contribution requirements on a prospective basis.

Consistent Benefit Growth — The benefits provided by a Cash Balance Plan grow at a plan defined interest rate and are not subject to volatile changes in the value of the benefits based upon changes in interest rate environments like traditional Defined Benefit Plans.

Pooled (Trustee Directed) Investment Account — Since a Cash Balance Plan is a type of Defined Benefit Plan and since the benefit amount provided to a non-owner participant is defined in the plan, the Cash Balance Plan can utilize a trustee directed, instead of an individually-directed, investment platform.

Can Provide for Additional Insured Death Benefits - In addition to the normal retirement benefit, a death benefit can be provided with deductible contributions. This can also ultimately provide for additional tax-free retirement income.

INCLUDING LIFE INSURANCE IN A CASH BALANCE PLAN

Including a limited-pay Permanent Cash Value Life Insurance Policy in the Cash Balance Plan will provide a number of additional and desirable benefits:

- Provide an opportunity to obtain Permanent Cash Value Life Insurance with "pre-tax" dollars; life insurance premiums are typically not deductible. As such, an ancillary benefit can be provided in addition to the normal retirement benefit.
- Provide for a higher tax-deductible contribution limit over the life of the plan since the plan is funding both a retirement benefit and ancillary death benefit.
- Provide for completion of family survivor retirement planning in the event of premature death. The plan is the owner of the policy. As such, if death occurs while the policy is inside the Cash Balance Plan, the death benefit is paid from the insurer to the Cash Balance Plan. The Cash Balance Plan then pays an amount equal to the death benefit less the cash value of the policy to the beneficiary tax-free. The cash values of the policy plus additional assets from the plan brokerage account up to the Cash Balance Plan retirement benefit could then be rolled over to an IRA for the beneficiary.
- Provide additional "tax-free" retirement income. At or before retirement, the plan can permit the participant to purchase the policy from the plan for its fair market value (cash value of the policy) or at retirement or termination of employment, the plan could distribute the policy to the participant. Once outside the Cash Balance Plan, the insured can access the policy's cash values via tax-free loans or withdrawals to supplement retirement income.

CASE STUDY

A 55-year old successful small business owner with revenues of \$1.8m and capacity to save a large percentage of his cash flow was looking to substantially reduce his taxable income. His wife is the office manager and the business pays her \$50,000/year income. They have no other employees.

The following is an illustration of a combined 401(k) and Cash Balance Plan design:

- The 401(k) plan assumes maximal contributions and the Safe Harbor Provision is not applicable.

- The Profit-Sharing contribution is shown limited to 6% of compensation based on combined plan deduction limits.

- An after-tax contribution is included that will then be immediately converted to a Roth. This contribution brings the total 401(k) contributions to the maximum available.

- The Cash Balance Plan contributions shown are equal to the maximum benefit limits based upon age and W-2 compensation.

- The Cash Balance Plan includes an ancillary death benefit funded with life insurance. Including the life insurance in the Cash Balance Plan provides for:

 - Higher deductible contributions as the plan would be providing both retirement and death benefits.

 - Paying premiums on permanent cash value life insurance with pre-tax-deductible contributions

 - Allowing for tax free retirement and death benefits once the policies are removed from the pension plan

- The Cash Balance Plan allows for a wide range of available annual contributions. As illustrated, the initial plan year minimal funding requirement is \$58,177 and the estimated maximum deductible contribution is \$456,883.

- Included are policy illustrations for the owners that tie the premiums shown as a component of the deductible Cash Balance Plan contributions.

- Included is an Economic Benefit of the Cash Balance Plan with life insurance analysis. The analysis calculates the cost of including the life insurance in the Cash Balance Plan. The cost is the after-tax equivalent of the additional deductible contributions provided by the life insurance and the amount to purchase the life insurance policy from the Plan after the scheduled premiums have been paid. The analysis also illustrates the annual return that would be necessary in a brokerage account funded with the cost of the insurance in order to provide the same stream of income and death benefit that the policy illustrates.

RETIREMENT PLAN STUDY

Name:	DOB:	Nearest Age @ 12/31/20	Projected Comp. (as limited)	Defined Contribution Plan				Cash Balance Plan			Overall Total	Life Insurance Death Benefit
				401(k)	After Tax Convert to Roth	Profit Sharing	401(k) Plan Totals	CB Investment Account	CB Life Insurance Premium	Total Cash Balance Contribution		
Client	05/02/63	05/02/63	250,00	26,000	22,500	15,000	63,500	130,161	111,500	241,661	305,161	1,868,769
Client's Wife	09/22/64	09/22/64	50,000	26,000	34,500	3,000	63,500	33,515	29,000	62,515	126,015	502,662
Highly Compensated Employee Totals			300,000	52,000	57,000	18,000	127,000	163,676	140,500	304,176	431,176	2,371,431
Employee Totals			0	0	0	0	0	0	0	0	0	0
Highly Compensated Employee Totals			300,000	52,000	57,000	18,000	127,000	163,676	140,500	304,176	431,176	2,371,431

Plan Efficiency

Owner Deductible Contributions	431,176
Employee Contribution Cost	0
Total Funding Considered	431,176
Percentage to Owners	100.00%

Tax Savings

Total Funding Considered	431,176
Assumed Fed. & State Income Tax Rate	43.99%
Equals Estimated Current Tax Savings	189,674

ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

Prepared for: Client

1. Including Life Insurance increases deductible contribution over life of plan by 5.3%
2. Sample Funding by Year

Plan Year	Age	Option #1 - Investment Only Approach	Option #2- Investment and Life Insurance Approach			Option #2- Additional Tax Reduction
		Cash Balance Investment Deposit	Cash Balance Investment Deposit	Cash Balance Life Insurance Premium	Total Cash Balance Plan Contribution	
1	58	222,159	130,161	111,500	241,661	8,579
2	59	222,159	130,161	111,500	241,661	8,579
3	60	222,159	130,161	111,500	241,661	8,579
4	61	222,159	130,161	111,500	241,661	8,579
5	62	222,159	130,161	111,500	241,661	8,579
6	63	222,159	130,161	111,500	241,661	8,579
7	64	222,159	222,159	0	222,159	0
8	65	222,159	222,159	0	222,159	0
9	66	222,159	222,159	0	222,159	0
10	67	222,159	222,159	0	222,159	0
Average		222,159			233,860	51,473

3. Same Maximum Lump Sum and Rollover to IRA of \$2,667,265 with either approach after 10 years.

*Additional Death Benefit of \$1,868,769 with Option 2

4. Calculation of cost of including life insurance in Plan

Total Annual Contribution Investment and Life Insurance early years	241,661
Less Annual Contribution Investment Only Approach	(222,159)
Equals Additional Contribution Cost Including Life Insurance	19,502
Less Pre Tax Contribution Adjustment	(8,579)
Equals Annual Net After Tax Cost of Including Life Insurance Plan	10,923

5. Including Life Insurance Policy Provides for Death Benefit Coverage Throughout Lifetime and Illustrated Annual Tax Free Retirement Income from ages 71 through 90 of \$53,188/year.

6. Retirement Income - Investing \$10,923 annually in a brokerage account plus the life insurance policy purchase from the plan of \$610,223 would need to return 10.11% annually to replicate the stream of income provided by including illustrated life insurance in the Plan.

7. Wealth Creation - Investing \$10,923 annually in a brokerage account plus the life insurance policy purchase from the plan of \$610,223 would need to return the following to replicate the death death benefit provided by including life insurance in the Plan.

Age	Illustrated Policy Death Benefit	Equivalent Annual Return Needed in Brokerage
75	1,803,686	17.39%
85	2,364,193	12.11%
95	3,192,984	10.40%

ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

		<i>Cash Balance Plan Investment Only Funding</i>					<i>Cash Balance Plan Investment and Insurance Funding</i>									
<i>Plan Year</i>	<i>Age</i>	<i>BoY Cash Balance Investment Account</i>	<i>Assumed Investment Account Return Rate</i>	<i>Cash Balance Investment Account Return</i>	<i>Cash Balance Investment Deposit</i>	<i>EoY Cash Balance Investment Account</i>	<i>BoY Cash Balance Investment Account</i>	<i>Deposit to Purchase Life Insurance From Plan</i>	<i>Assumed Investment Account Return Rate</i>	<i>Cash Balance Investment Account Return</i>	<i>Cash Balance Investment Deposit</i>	<i>EoY Cash Balance Investment Account</i>	<i>Life Insurance Premium</i>	<i>Total Cash Balance Contribution</i>	<i>Life Insurance Fair Market Value</i>	<i>Total Cash Balance Value</i>
		0	4%	0	222,159	222,159	0	0	4%	0	130,161	130,161	111,500	241,661	54,425	184,586
1	58	222,159	4%	8,886	222,159	453,204	130,161	0	4%	5,206	130,161	265,528	111,500	241,661	120,627	386,155
2	59	453,204	4%	18,128	222,159	693,492	265,528	0	4%	10,621	130,161	406,309	111,500	241,661	225,548	631,857
3	60	693,492	4%	27,740	222,159	943,390	406,309	0	4%	16,252	130,161	552,722	111,500	241,661	344,556	897,278
4	61	943,390	4%	37,736	222,159	1,203,285	552,722	0	4%	22,109	130,161	704,992	111,500	241,661	475,769	1,180,761
5	62	1,203,285	4%	48,131	222,159	1,473,575	704,992	0	4%	28,200	130,161	863,352	111,500	241,661	610,223	1,473,575
6	63	1,473,575	4%	58,943	222,159	1,754,677	863,352	610,223	4%	58,943	222,159	1,754,677	0	222,159	0	1,754,677
7	64	1,754,677	4%	70,187	222,159	2,047,023	1,754,677	0	4%	70,187	222,159	2,047,023	0	222,159	0	2,047,023
8	65	2,047,023	4%	81,881	222,159	2,351,063	2,047,023	0	4%	81,881	222,159	2,351,063	0	222,159	0	2,351,063
9	66	2,351,063	4%	94,043	222,159	2,667,265	2,351,063	0	4%	94,043	222,159	2,667,265	0	222,159	0	2,667,265
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ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

Plan Year	Age	Cost of Including Life Insurance in CB Plan			Funded Brokerage Account to Compare to Life Insurance									
		Additional Contribution	Tax Reduction of Additional Contribution at combined Fed and State Marginal Rate	After Tax Cost of Including Life Insurance	BoY Outside Plan Brokerage Account	Assumed Gross Return Rate	Assumed Gross Return	Assumed Tax Rate on Return (Interest, Dividends, Capital Gains, ACA Tax)	Assumed Tax	Assumed Asset Management Fee %	Asset Management Fee	Deposit	Withdrawal	EoY Outside Plan Brokerage Account
1	58	19,502	(8,579)	10,923	0	10.11%	0	43.99%	0	0.75%	0	10,923	0	10,923
2	59	19,502	(8,579)	10,923	10,923	10.11%	1,104	43.99%	(486)	0.75%	(82)	10,923	0	22,382
3	60	19,502	(8,579)	10,923	22,382	10.11%	2,262	43.99%	(995)	0.75%	(168)	10,923	0	34,404
4	61	19,502	(8,579)	10,923	34,404	10.11%	3,477	43.99%	(1,530)	0.75%	(258)	10,923	0	47,017
5	62	19,502	(8,579)	10,923	47,017	10.11%	4,752	43.99%	(2,091)	0.75%	(353)	10,923	0	60,249
6	63	19,502	(8,579)	10,923	60,249	10.11%	6,090	43.99%	(2,679)	0.75%	(452)	10,923	0	74,131
7	64	0	0	610,223	74,131	10.11%	7,493	43.99%	(3,296)	0.75%	(556)	610,223	0	687,994
8	65	0	0	0	687,994	10.11%	69,539	43.99%	(30,590)	0.75%	(5,160)	0	0	721,783
9	66	0	0	0	721,783	10.11%	72,955	43.99%	(32,093)	0.75%	(5,413)	0	0	757,232
10	67	0	0	0	757,232	10.11%	76,538	43.99%	(33,669)	0.75%	(5,679)	0	0	794,422
11	68				794,422	10.11%	80,297	43.99%	(35,322)	0.75%	(5,958)	0	0	833,438
12	69				833,438	10.11%	84,240	43.99%	(37,057)	0.75%	(6,251)	0	0	874,370
13	70				874,370	10.11%	88,377	43.99%	(38,877)	0.75%	(6,558)	0	0	917,312
14	71				917,312	10.11%	92,718	43.99%	(40,787)	0.75%	(6,880)	0	(53,178)	909,186
15	72				909,186	10.11%	91,897	43.99%	(40,425)	0.75%	(6,819)	0	(53,178)	900,660
16	73				900,660	10.11%	91,035	43.99%	(40,046)	0.75%	(6,755)	0	(53,178)	891,716
17	74				891,716	10.11%	90,131	43.99%	(39,649)	0.75%	(6,688)	0	(53,178)	882,332
18	75				882,332	10.11%	89,182	43.99%	(39,231)	0.75%	(6,617)	0	(53,178)	872,487
19	76				872,487	10.11%	88,187	43.99%	(38,794)	0.75%	(6,544)	0	(53,178)	862,159
20	77				862,159	10.11%	87,143	43.99%	(38,334)	0.75%	(6,466)	0	(53,178)	851,324
21	78				851,324	10.11%	86,048	43.99%	(37,853)	0.75%	(6,385)	0	(53,178)	839,957
22	79				839,957	10.11%	84,899	43.99%	(37,347)	0.75%	(6,300)	0	(53,178)	828,031
23	80				828,031	10.11%	83,694	43.99%	(36,817)	0.75%	(6,210)	0	(53,178)	815,520
24	81				815,520	10.11%	82,429	43.99%	(36,261)	0.75%	(6,116)	0	(53,178)	802,394
25	82				802,394	10.11%	81,102	43.99%	(35,677)	0.75%	(6,018)	0	(53,178)	788,624
26	83				788,624	10.11%	79,711	43.99%	(35,065)	0.75%	(5,915)	0	(53,178)	774,177
27	84				774,177	10.11%	78,250	43.99%	(34,422)	0.75%	(5,806)	0	(53,178)	759,020
28	85				759,020	10.11%	76,718	43.99%	(33,748)	0.75%	(5,693)	0	(53,178)	743,120
29	86				743,120	10.11%	75,111	43.99%	(33,041)	0.75%	(5,573)	0	(53,178)	726,438
30	87				726,438	10.11%	73,425	43.99%	(32,300)	0.75%	(5,448)	0	(53,178)	708,937
31	88				708,937	10.11%	71,656	43.99%	(31,522)	0.75%	(5,317)	0	(53,178)	690,577
32	89				690,577	10.11%	69,801	43.99%	(30,705)	0.75%	(5,179)	0	(53,178)	671,315
33	90				671,315	10.11%	67,854	43.99%	(29,849)	0.75%	(5,035)	0	(704,285)	(0)

ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

Prepared for: Wife

- 1. Including Life Insurance increases deductible contribution over life of plan by 5.4%
- 2. Sample Funding by Year

Plan Year	Age	Option #1 - Investment Only Approach	Option #2- Investment and Life Insurance Approach			Option #2- Additional Tax Reduction
		Cash Balance Investment Deposit	Cash Balance Investment Deposit	Cash Balance Life Insurance Premium	Total Cash Balance Plan Contribution	
1	56	57,310	33,515	29,000	62,515	2,290
2	57	57,310	33,515	29,000	62,515	2,290
3	58	57,310	33,515	29,000	62,515	2,290
4	59	57,310	33,515	29,000	62,515	2,290
5	60	57,310	33,515	29,000	62,515	2,290
6	61	57,310	33,515	29,000	62,515	2,290
7	62	57,310	57,310	0	57,310	0
8	63	57,310	57,310	0	57,310	0
9	64	57,310	57,310	0	57,310	0
10	65	57,310	57,310	0	57,310	0
Average		57,310			60,433	13,739

3. Same Maximum Lump Sum and Rollover to IRA of \$688,070 with either approach after 10 years.

*Additional Death Benefit of \$502,662 with Option 2

4. Calculation of cost of including life insurance in Plan

Total Annual Contribution Investment and Life Insurance early years	62,515
Less Annual Contribution Investment Only Approach	(57,310)
Equals Additional Contribution Cost Including Life Insurance	5,205
Less Pre Tax Contribution Adjustment	(2,290)
Equals Annual Net After Tax Cost of Including Life Insurance Plan	2,915

5. Including Life Insurance Policy Provides for Death Benefit Coverage Throughout Lifetime and Illustrated Annual Tax Free Retirement Income from ages 71 through 90 of \$14,313/year.

6. Retirement Income - Investing \$2,915 annually in a brokerage account plus the life insurance policy purchase from the plan of \$157,830 would need to return 9.73% annually to replicate the stream of income provided by including illustrated life insurance in the Plan.

7. Wealth Creation - Investing \$2,915 annually in a brokerage account plus the life insurance policy purchase from the plan of \$157,830 would need to return the following to replicate the death death benefit provided by including life insurance in the Plan.

Age	Illustrated Policy Death Benefit	Equivalent Annual Return Needed in Brokerage
75	492,718	15.64%
85	646,707	11.59%
95	873,417	10.14%

ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

Cash Balance Plan Investment Only Funding						Cash Balance Plan Investment and Insurance Funding										
Plan Year	Age	BoY Cash Balance Investment Account	Assumed Investment Return Rate	Cash Balance Investment Account	Cash Balance Investment Deposit	EoY Cash Balance Investment Account	BoY Cash Balance Investment Account	Deposit to Purchase Life Insurance From Plan	Assumed Investment Return Rate	Cash Balance Investment Account	Cash Balance Investment Deposit	EoY Cash Balance Investment Account	Life Insurance Premium	Total Cash Balance Contribution	Life Insurance Fair Market Value	Total Cash Balance Value
1	56	0	4%	0	57,310	57,310	0	0	4%	0	33,515	33,515	29,000	62,515	14,162	47,677
2	57	57,310	4%	2,292	57,310	116,912	33,515	0	4%	1,341	33,515	68,371	29,000	62,515	31,130	99,501
3	58	116,912	4%	4,676	57,310	178,899	68,371	0	4%	2,735	33,515	104,621	29,000	62,515	58,291	162,912
4	59	178,899	4%	7,156	57,310	243,365	104,621	0	4%	4,185	33,515	142,321	29,000	62,515	89,091	231,412
5	60	243,365	4%	9,735	57,310	310,409	142,321	0	4%	5,693	33,515	181,529	29,000	62,515	123,051	304,580
6	61	310,409	4%	12,416	57,310	380,136	181,529	0	4%	7,261	33,515	222,306	29,000	62,515	157,830	380,136
7	62	380,136	4%	15,205	57,310	452,651	222,306	157,830	4%	15,205	57,310	452,651	0	57,310	0	452,651
8	63	452,651	4%	18,106	57,310	528,067	452,651	0	4%	18,106	57,310	528,067	0	57,310	0	528,067
9	64	528,067	4%	21,123	57,310	606,500	528,067	0	4%	21,123	57,310	606,500	0	57,310	0	606,500
10	65	606,500	4%	24,260	57,310	688,070	606,500	0	4%	24,260	57,310	688,070	0	57,310	0	688,070

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ECONOMIC BENEFIT OF CASH BALANCE PLAN WITH LIFE INSURANCE

Plan Year	Age	Cost of Including Life Insurance in CB Plan			Funded Brokerage Account to Compare to Life Insurance										EoY Outside Plan Brokerage Account
		Additional Contribution	Tax Reduction of Additional Contribution at combined Fed and State Marginal Rate	After Tax Cost of Including Life Insurance	BoY Outside Plan Brokerage Account	Assumed Gross Return Rate	Assumed Gross Return	Assumed Tax Rate on Return (Interest, Dividends Capital Gains, ACA Tax)	Assumed Tax	Assumed Asset Management Fee %	Assumed Asset Management Fee	Deposit	Withdrawal		
1	56	5,205	(2,290)	2,915	0	9.73%	0	43.99%	0	0.75%	0	2,915	0	2,915	
2	57	5,205	(2,290)	2,915	2,915	9.73%	284	43.99%	(125)	0.75%	(22)	2,915	0	5,968	
3	58	5,205	(2,290)	2,915	5,968	9.73%	581	43.99%	(255)	0.75%	(45)	2,915	0	9,164	
4	59	5,205	(2,290)	2,915	9,164	9.73%	892	43.99%	(392)	0.75%	(69)	2,915	0	12,510	
5	60	5,205	(2,290)	2,915	12,510	9.73%	1,217	43.99%	(536)	0.75%	(94)	2,915	0	16,014	
6	61	5,205	(2,290)	2,915	16,014	9.73%	1,558	43.99%	(686)	0.75%	(120)	2,915	0	19,682	
7	62	0	0	157,830	19,682	9.73%	1,915	43.99%	(843)	0.75%	(148)	157,830	0	178,437	
8	63	0	0	0	178,437	9.73%	17,365	43.99%	(7,639)	0.75%	(1,338)	0	0	186,825	
9	64	0	0	0	186,825	9.73%	18,182	43.99%	(7,998)	0.75%	(1,401)	0	0	195,608	
10	65	0	0	0	195,608	9.73%	19,037	43.99%	(8,374)	0.75%	(1,467)	0	0	204,803	
11	66				204,803	9.73%	19,931	43.99%	(8,768)	0.75%	(1,536)	0	0	214,431	
12	67				214,431	9.73%	20,868	43.99%	(9,180)	0.75%	(1,608)	0	0	224,511	
13	68				224,511	9.73%	21,849	43.99%	(9,612)	0.75%	(1,684)	0	0	235,065	
14	69				235,065	9.73%	22,876	43.99%	(10,063)	0.75%	(1,763)	0	0	246,115	
15	70				246,115	9.73%	23,952	43.99%	(10,536)	0.75%	(1,846)	0	0	257,685	
16	71				257,685	9.73%	25,078	43.99%	(11,032)	0.75%	(1,933)	0	(14,313)	255,485	
17	72				255,485	9.73%	24,864	43.99%	(10,938)	0.75%	(1,916)	0	(14,313)	253,182	
18	73				253,182	9.73%	24,640	43.99%	(10,839)	0.75%	(1,899)	0	(14,313)	250,771	
19	74				250,771	9.73%	24,405	43.99%	(10,736)	0.75%	(1,881)	0	(14,313)	248,246	
20	75				248,246	9.73%	24,159	43.99%	(10,628)	0.75%	(1,862)	0	(14,313)	245,603	
21	76				245,603	9.73%	23,902	43.99%	(10,515)	0.75%	(1,842)	0	(14,313)	242,836	
22	77				242,836	9.73%	23,633	43.99%	(10,396)	0.75%	(1,821)	0	(14,313)	239,938	
23	78				239,938	9.73%	23,351	43.99%	(10,272)	0.75%	(1,800)	0	(14,313)	236,904	
24	79				236,904	9.73%	23,056	43.99%	(10,142)	0.75%	(1,777)	0	(14,313)	233,728	
25	80				233,728	9.73%	22,746	43.99%	(10,006)	0.75%	(1,753)	0	(14,313)	230,402	
26	81				230,402	9.73%	22,423	43.99%	(9,864)	0.75%	(1,728)	0	(14,313)	226,920	
27	82				226,920	9.73%	22,084	43.99%	(9,715)	0.75%	(1,702)	0	(14,313)	223,274	
28	83				223,274	9.73%	21,729	43.99%	(9,559)	0.75%	(1,675)	0	(14,313)	219,457	
29	84				219,457	9.73%	21,358	43.99%	(9,395)	0.75%	(1,646)	0	(14,313)	215,461	
30	85				215,461	9.73%	20,969	43.99%	(9,224)	0.75%	(1,616)	0	(14,313)	211,276	
31	86				211,276	9.73%	20,561	43.99%	(9,045)	0.75%	(1,585)	0	(14,313)	206,895	
32	87				206,895	9.73%	20,135	43.99%	(8,857)	0.75%	(1,552)	0	(14,313)	202,308	
33	88				202,308	9.73%	19,689	43.99%	(8,661)	0.75%	(1,517)	0	(14,313)	197,505	
34	89				197,505	9.73%	19,221	43.99%	(8,455)	0.75%	(1,481)	0	(14,313)	192,477	
35	90				192,477	9.73%	18,732	43.99%	(8,240)	0.75%	(1,444)	0	(201,525)	(0)	



Contact us to learn more and find out if a Cash Balance Defined Benefit Plan may be right for your assets.

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