CASH BALANCE PLANS

Take Advantage of Accelerated Retirement Savings and Significant Tax Benefits

High Annual Contributions

Percentage of pay or fixed dollar amount

Annual Interest Credit

Account balance grows by the established crediting rate

Tax Savings

Tax deductible savings and tax deferred growth

Flexible Retirement Options

Lump sum option eligible for IRA rollover

A cash balance arrangement is an IRS tax-qualified "hybrid" retirement plan. It combines the high contribution limits of a defined benefit plan and the simplified contribution formula and portability of a defined contribution plan. It is typically paired with a 401(k) profit sharing plan to maximize retirement savings and tax-deductible contributions.

WHO CASH BALANCE PLANS MAY BENEFIT

- Business owners and self-employed individuals who want to contribute significantly more than permitted in a 401(k) profit sharing plan
- Professional practices and partnerships interested in maximizing tax deductions
- Profitable companies seeking to provide select employees with greater benefits

401(k) PROFIT SHARING PLAN

\+ **CASH BALANCE PLAN**

= **Combination plan which maximizes total tax deductible contributions**

FREQUENTLY ASKED QUESTIONS:

How is the contribution amount determined?

The plan contribution formula is tailored to savings goals and participant demographics. The contribution can be either a percentage of pay or a flat dollar amount.

Why are contribution levels higher than a 401(k) plan?

The law does not set a contribution limit for each participant, as is the case in a 401(k) plan. Rather, contributions to a cash balance plan are limited by the projected lump sum needed at a participant's retirement to provide the maximum annual retirement benefit. This can result in substantially larger tax-deductible contributions.

The closer to retirement, the greater the allowable contribution since there is less time to accumulate the required lump sum.

Contribution example: for a business owner, partner, or self-employed individual with an income of $330,000:

COMBINED 401(K) + CASH BALANCE PLAN OPPORTUNITIES

Age	401(K) Deferral	Profit Sharing	Cash Balance	TOTAL
40	$23,000	$20,700	$117,000	**$160,700**
45	$23,000	$20,700	$150,000	**$193,700**
50	$30,500	$20,700	$193,000	**$244,200**
55	$30,500	$20,700	$248,000	**$299,200**
60	$30,500	$20,700	$318,000	**$369,200**
65	$30,500	$20,700	$329,000	**$380,200**

*For illustrative purposes only. Based on 2024 IRS limits. Profit sharing contribution may be higher if business subject to PBGC.

What is an annual interest credit?

Each year, participants receive the contribution described above, plus a guaranteed interest credit.

Most commonly, the crediting rate is tied to the 30-year treasury, a fixed rate within the 3%–5% range, or a market return (for larger plans). These options will be discussed when the plan is being designed.

Will participants have an account balance?

Every participant has a "hypothetical account balance," which is equal to the accumulated contributions and annual interest credits. If the plan covers employees, all assets are pooled together and invested on behalf of the plan, and each participants' share is tracked.

If a participant terminates or retires, they are eligible to receive the vested portion of that balance in a lump sum or annuity. The lump sum may be rolled over into an IRA.

How are plan assets invested?

Assets are managed with the goal of earning the interest crediting rate over time. Any disparities between the actual earnings and the crediting rate can be spread over time, making contribution levels fairly predictable when averaging close to the target rate. An investment strategy will be tailored to the plan's design.

Are the annual contributions mandatory?

Yes, annual contributions to a cash balance plan are mandatory. Plans may be amended, frozen, or terminated if economic situations change.

Are contributions the same for all employees?

Plans can be designed with different contribution levels to favor targeted groups of employees or select individuals, subject to testing requirements.

In general, employers can anticipate contributions in the range of 5%–10% of pay to staff in order to achieve the maximum contribution to owners or partners. In many cases, contributions in that range are already being made to an existing 401(k) profit sharing plan. Under those circumstances, only marginal or no additional contributions may be required.

When can a plan be established, and what is the timing of making contributions?

Because of the SECURE Act, plans can now be adopted retroactively for the prior plan year. Businesses have up until their tax filing date to establish and fund the plan.

WORKING WITH JANNEY

Depending on your financial needs and personal preferences, you may opt to engage in a brokerage relationship, an advisory relationship or a combination of both. Each time you open an account, we will make recommendations on which type of relationship is in your best interest based on the information you provide when you complete or update your client profile.

If you engage in a brokerage relationship, you will buy and sell securities on a transaction basis and pay a commission for these services. Our recommendations for the purchase and sale of securities will be based on what is in your best interest and reflect reasonably available alternatives at that time. If you engage in an advisory relationship, you will pay an asset-based fee, which encompasses, among other things, a defined investment strategy, ongoing monitoring, and performance reporting. Your Financial Advisor will serve in a fiduciary capacity for your advisory relationships.

For more information about Janney, please see Janney's Relationship Summary (Form CRS) on www.janney.com/crs which details all material facts about the scope and terms of our relationship with you and any potential conflicts of interest.

Contact your Janney Financial Advisor to request an illustration or for additional information. We will work with you and your CPA to design a plan tailored to your goals.