

CONFIDENCE

EXPERTS WHO CARE

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Topic's For Today

- RPS Overview
- What is a Cash Balance plan?
- In-depth Case Study
- Important upcoming deadlines



**A DEDICATED ERISA
PROFESSIONAL**



**A LOCAL COMPANY
WITH NATIONAL
CAPABILITIES**



**SECURE AND EASY
COMMUNICATION**



**A COMPANY WHO
CARES ABOUT OUR
COMMUNITY**

PROACTIVE ADMINISTRATION

WHAT IS A CASH BALANCE PLAN?

| DEFINED BENEFIT | CASH BALANCE | DEFINED CONTRIBUTION |
|---|---|---|
| <ul style="list-style-type: none">▪ Defines benefit at NRA▪ ER Paid▪ Mandatory annual contributions▪ Liability unpredictable▪ ER bears risk | <ul style="list-style-type: none">▪ Benefit at NRA:<ul style="list-style-type: none">▪ Contributions + assumed earnings▪ ER Paid▪ Mandatory annual contributions▪ Liability Predictable▪ ER bears investment risk | <ul style="list-style-type: none">▪ Benefit at NRA Unknown▪ EE + ER Paid▪ Defines a contribution▪ Liability can be eliminated▪ EE bears investment risk |



Reduce Taxes

- All contributions are tax deductible
- Tax savings often funds contributions to rank and file employees



Accelerate Retirement Savings

- Business owners can often double or triple retirement savings
- Cash balance earnings are guaranteed to plan participants



Attracts/Retain Top Talent

- Contribution levels for various “ranks” or types of employees can be custom-tailored
- Money that would otherwise be paid to the IRS can be re-directed into growing the business

- ▶ Own Professional Services Company
- ▶ Sponsor 401(k)/Profit Sharing Plan
- ▶ Plan provides contribution equal to 3% of pay
- ▶ Also provides additional profit sharing contribution equal to about 10% of pay

50/50 Ownership

JOHN

Age 49

Salary \$500,000

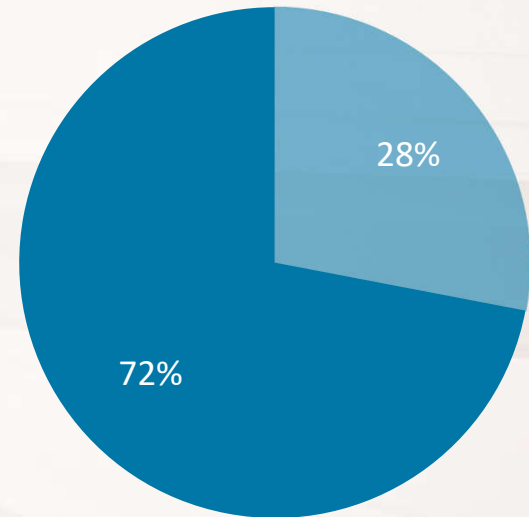
JAYNE

Age 61

Salary \$500,000

AN IN-DEPTH CASE STUDY – CURRENT DESIGN

| Current Plan | \$ Amount | % |
|---|-----------|------|
| Employer Contributions to the owners | \$70,000 | 72% |
| Employer Contributions to the employees | \$27,075 | 28% |
| Total | \$97,075 | 100% |



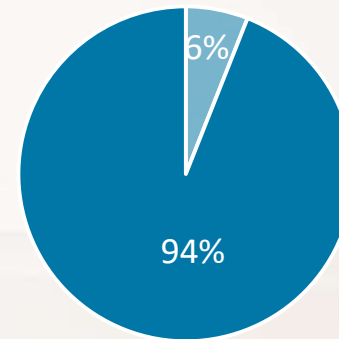
Estimated Employer Tax Savings:
\$43,684
* Assumes 45% marginal tax rate

- ER Contributions to the Employees
- ER Contributions to the Owners

AN IN-DEPTH CASE STUDY – NEW DESIGN



| New Plan Design | \$ Amount | % |
|---|-----------|------|
| Employer Contributions to the owners | \$319,000 | 94% |
| Employer Contributions to the employees | \$21,250 | 6% |
| Total | \$340,250 | 100% |



- ER Contributions to the Employees
- ER Contributions to the Owners

| Change in Benefit Compared to Old Plan | |
|--|--------------------|
| To Employers/Owners | \$249,000 Increase |
| To Employees | - \$5,825 Decrease |

Estimated Employer Tax Savings:

\$153,113

* Assumes 45% marginal tax rate

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IMPORTANT DEADLINES TO BE AWARE OF

- ❖ 2020 Startup Safe Harbor Plan: October 1st
- ❖ SIMPLE Plan Termination for 2021: November 2nd
- ❖ Existing 401(k) Change to Safe Harbor 3% NE: December 1st
- ❖ New 2020 Cash Balance Plan: Established and Funded by 2020 Tax Return Filing
- ❖ New 2020 Profit-Sharing Plan: Established and Funded by 2020 Tax Return Filing