

# Cash Balance Plan Example

This is an estimate only and should not be used as a basis for a tax deduction. All numbers in this example are subject to change when final census is received

# Case Study: Maximizing Retirement Savings with a Cash Balance Plan

## Client Profile

A professional services firm with five employees, including two owners, wanted to accelerate retirement savings and reduce taxable income. The company already offered a 401(k) plan but was looking for additional ways to contribute larger amounts toward the owners' retirement goals while maintaining fair benefits for staff.

## Challenge

The owners, both nearing retirement, sought a plan design that would:

- Allow significant annual contributions beyond 401(k) limits.
- Ensure compliance with IRS nondiscrimination testing.
- Keep employee costs reasonable while enhancing total benefit offerings.

## Solution

Nydia Retirement Solutions designed a Cash Balance Plan tailored to the firm's demographics and compensation structure. The plan allowed total annual employer contributions of \$516,500, with 91% allocated to ownership and the remaining 9% distributed among employees.

## Results

This structure provided the firm's owners with nearly half a million dollars in tax-deductible contributions for the plan year, substantially reducing taxable income while building secure, long-term retirement assets. Employees received meaningful annual benefits, supporting retention and maintaining compliance with all Department of Labor and IRS requirements.

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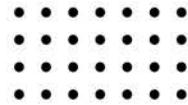


| Employee                              | Age | Salary           | Cash Balance Plan |
|---------------------------------------|-----|------------------|-------------------|
| Owner 1                               | 58  | \$305,000        | \$289,000         |
| Owner 2                               | 49  | \$305,000        | \$179,000         |
| Employee 1                            | 42  | \$100,000        | \$9,700           |
| Employee 2                            | 38  | \$70,000         | \$9,700           |
| Employee 3                            | 34  | \$50,000         | \$9,700           |
| Employee 4                            | 30  | \$40,000         | \$9,700           |
| Employee 5                            | 26  | \$30,000         | \$9,700           |
| <b>Totals</b>                         |     | <b>\$900,000</b> | <b>\$516,000</b>  |
| Employee Benefit (Funded by Employer) |     |                  | \$48,500          |
| Employee Benefit Total                |     |                  | \$468,000         |
| Percentage to Owners                  |     |                  | 91%               |

This is an estimate only and should not be used as a basis for a tax deduction. All numbers in this proposal are subject to change when the final census is received. If a defined benefit or cash balance plan is adopted, please be aware your plan may be subject to PBGC coverage and therefore annual premium payments. These payments are based upon the number of participants in the plan and the plan's funded status. Please contact us, for additional details.

Please note that the law requires participants in new cash balance plans be 100% vested in no later than 3 years.

# Who We Are



## MGKS is now Nydia Retirement Solutions

Same reliable team, same independent ownership, exciting new name. We are your experienced, reliable retirement plan consulting team. Our attention to detail is unmatched, and our commitment to you is unwavering.

## Our Services

Plan Design & Implementation | Compliance Testing & Government Reporting | Record Keeping & Administration | Actuarial Services & Administration. We provide expertise and experience and lasting consultative relationships to our partners, and our clients.

## Why Us

At Nydia, we do more than retirement plan administration, we bring 30+ years of experience and our unique attention to detail to every client relationship. We call ourselves Retirement Plan Consultants (RPCs) instead of TPAs because of our consultative approach.



Visit our website to learn more about our services and our rebranding.



[nydiaretirement.com](http://nydiaretirement.com)



# Contact Us

Reach out to our experienced team of retirement plan consultants to design the right plan for you.

Nydia Retirement Solutions is a Retirement Plan Consulting partner focused on supporting our clients and partners from coast to coast. We are your one-stop-shop for all things retirement related.

## FOR MORE INFORMATION

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