



TAX-SAVING STRATEGY FOR BUSINESS OWNERS

Combining a cash balance plan with a safe harbor 401(k) allows business owners to make large deductible contributions for themselves (up to \$150,000 or more annually) while controlling employee benefit costs.

TURNING TAX SAVINGS INTO RETIREMENT WEALTH

- Fully tax-deductible retirement contributions and fees
- Contribution can be as high as 90% of compensation*
- Opportunity for tax-deferred growth

IS A CASH BALANCE PLAN RIGHT FOR YOU?

- Are you looking to make larger tax-deductible contributions than allowed in a SEP IRA or 401(k)?
- Does your business have 1-10 employees?
- Are you willing to make contributions to employees, while controlling the cost?
- Do you expect consistent cash flow for at least the next five years?

HOW DOES IT WORK?

The sample below illustrates the potential contributions and tax savings possible with the cash balance/safe harbor 401(k) combination plan:

	Age	Compensation	401(k) Deferral	401(k) Profit Sharing	Cash Balance	Annual Contribution	Estimated Tax Savings
Owner	62	\$290,000	\$26,000	\$15,557	\$294,846	\$336,403	\$124,469
Employee	27	\$20,000		\$1,466	\$350	\$1,816	\$672
Employee	30	\$36,000		\$2,639	\$350	\$2,989	\$1,106
Employee	34	\$39,000		\$2,859	\$350	\$3,209	\$1,187
Employee	25	\$21,000		\$1,539	\$350	\$1,889	\$699
				\$24,060	\$296,246	\$346,306	\$128,133

Estimate is based on the business owner's contribution and assumes marginal rate of 37% combined federal and state taxes. Cash balance calculation is provided by Dedicated DB.

Total Owner Contributions: \$336,403

Total Employee Contributions: \$9,906

Owner retains 93% of contributions with a possible tax savings of \$128,133

*Age, income, and years in the business determine exact percentage allowed.

This information is for educational purposes only. Stifel does not provide legal or tax advice. You should consult with your legal or tax advisors regarding your particular situation.

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