



# Pension Trends

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## How to Accommodate Differing Partner Retirement Savings Goals



If you are an advisor to a partnership of doctors or other professionals, a Cash Balance (CB) Plan may be a solution to one of their most common problems: some of the professionals want to maximize their retirement savings, while others cannot afford to defer much income at all. How do you accommodate differing partner retirement savings goals? Is it even possible? The answer is yes, it is possible to allow each partner to individually customize his or her tax-deferred savings via a Cash Balance Plan.

Normally, the partners\* who would prefer to make substantially larger contributions accept the need to “do what is best for the partnership.” The result is a 401(k) plan with a modest employer contribution. The partners use the salary deferral portion of the plan to vary how much they individually save on a before-tax basis. No one is able to make substantial tax-deductible contributions to the plan.

Adding a Cash Balance Plan in combination with the existing 401(k) plan can produce amazing results. With the Cash Balance Plan in place, the partners looking to maximize their retirement savings can defer \$100,000 or \$200,000 more than they could with the 401(k) plan alone, without causing the other partners to have to increase their savings at all. Consider the following example, based on a real Independent Actuaries, Inc. (IAI) client, with only immaterial changes to remove unnecessary details.

### Cross-Tested 401(k) Profit Sharing Plan Only

Employee Name	Current Age	401(k) Plan Employer Contribution	Employee Salary Deferral Contribution	CB Plan Employer Contribution Credit	Total Contribution w Deferrals
Partner A	54	32,500	22,000	NA	54,500
Partner B	57	32,500	22,000	NA	54,500
Partner C	46	32,500	16,500	NA	49,000
<b>Total for Partners</b>		97,500	60,500	NA	158,000
12 Staff		18,564	0	NA	18,564
<b>Totals</b>		116,064	60,500	NA	176,564
<b>% of total to Partners</b>		84.01%	100.00%	NA	89.49%

### Add a Cash Balance Plan

Employee Name	Current Age	401(k) Plan Employer Contribution	Employee Salary Deferral Contribution	CB Plan Employer Contribution Credit	Total Contribution w Deferrals
Partner A	54	12,500	22,000	161,700	196,200
Partner B	57	12,500	22,000	190,000	224,500
Partner C	46	12,500	16,500	98,000	127,000
<b>Total for Partners</b>		37,500	60,500	449,700	547,700
12 Staff		31,500	0	4,620	36,120
<b>Totals</b>		69,000	60,500	454,320	583,820
<b>% of total to Partners</b>		54.35%	100.00%	98.98%	93.81%

<b>Total Additional Staff Costs</b>	<b>17,556</b>
<b>Total Additional Deductible Contribution Opportunity for Partners</b>	<b>389,700</b>

### Author Profile:

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