



Regulatory Bulletin

IRS Simplifies Adoption of Cash Balance Plans

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On January 31, 2014, the IRS released [Announcement 2014-04](#) indicating that cash balance plans may be adopted as pre-approved plans, just like traditional defined benefit plans. **Until now, cash balance plans were considered “individually designed” requiring employers to submit their cash balance plan to the IRS for a favorable determination letter.**

Saving Time and Money. The additional time and expense of an IRS submission was a barrier to adopting a cash balance plan for some employers. With this announcement, plan sponsors may now adopt cash balance pension plans with the reduced cost and simplified process of the pre-approved plan.

When and Why Do Cash Balance Plans Make Sense? Traditional defined benefit plans are an ideal solution for employers with one owner who wishes to maximize his or her own contributions. *Cash balance pension plans are often a better solution for employers with multiple owners and employees because of the following advantages:*

- *Easy to Understand.* Cash balance contribution credits are tracked on participant statements that look like profit sharing plan statements. This makes the plan easier to understand and communicate.
- *What you see is what you get.* Benefit payments equal the participant account balances as tracked on the statements so there are no “surprises” when benefits are paid.
- *Targeted benefits.* Cash balance plans can be designed with different contribution amounts for different employees, and these amounts can be made to be exact without complicated formulas.

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- *Higher deductible contributions.* Cash balance plan contributions can be significantly higher than the amounts that can be contributed to 401(k) / profit sharing plans:

<u>Age</u>	<u>Contribution</u>	<u>Age</u>	<u>Contribution</u>
35	\$68,900	55	\$185,000
40	\$88,200	60	\$236,800
45	\$112,900	65	\$244,100
50	\$144,600	70	\$311,600

Here at United Retirement, we believe that cash balance pension plans will become even more popular for employers who wish to maximize their tax-deferred savings.

Need a proposal? It's just a click or call away!

If you'd like to receive a **Customized Cash Balance Proposal**, including an illustration showing the possible value of these plans for your client, contact our **National Sales Support Desk**.

Direct Toll Free Line: 855-439-6709

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