



THE NEW WORLD OF CASH BALANCE PENSION PLANS



**THE GROWING ADVANTAGE OF DEFINED BENEFIT AND
DEFINED CONTRIBUTION COMBO PLAN DESIGNS**

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INTRODUCTION

- Power in the Numbers When Adding on a Cash Balance Plan
- Getting Business Owners What They Want
- Understanding Cash Balance Plans
- Seeing Two Plans Are Better Than One

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PLAN DESIGN EXHIBIT ONE

Dental Practice Part One

Profit Sharing 401(k)

Total Contribution—\$68,000



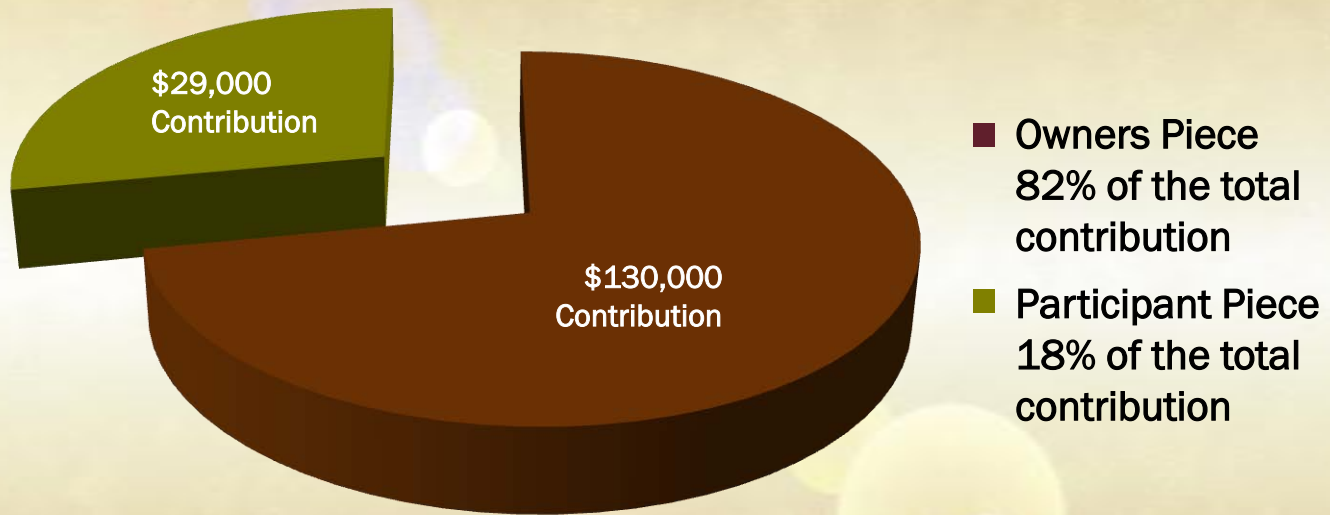
Number of Employees	12
Total Eligible Compensation	\$600,000
One Owner Dentist	Age 48
Ages of Other Participants	24–60

PLAN DESIGN EXHIBIT ONE

Dental Practice Part Two

Profit Sharing 401(k)
With a Cash Balance Plan Added-On

Total Contribution—\$159,000

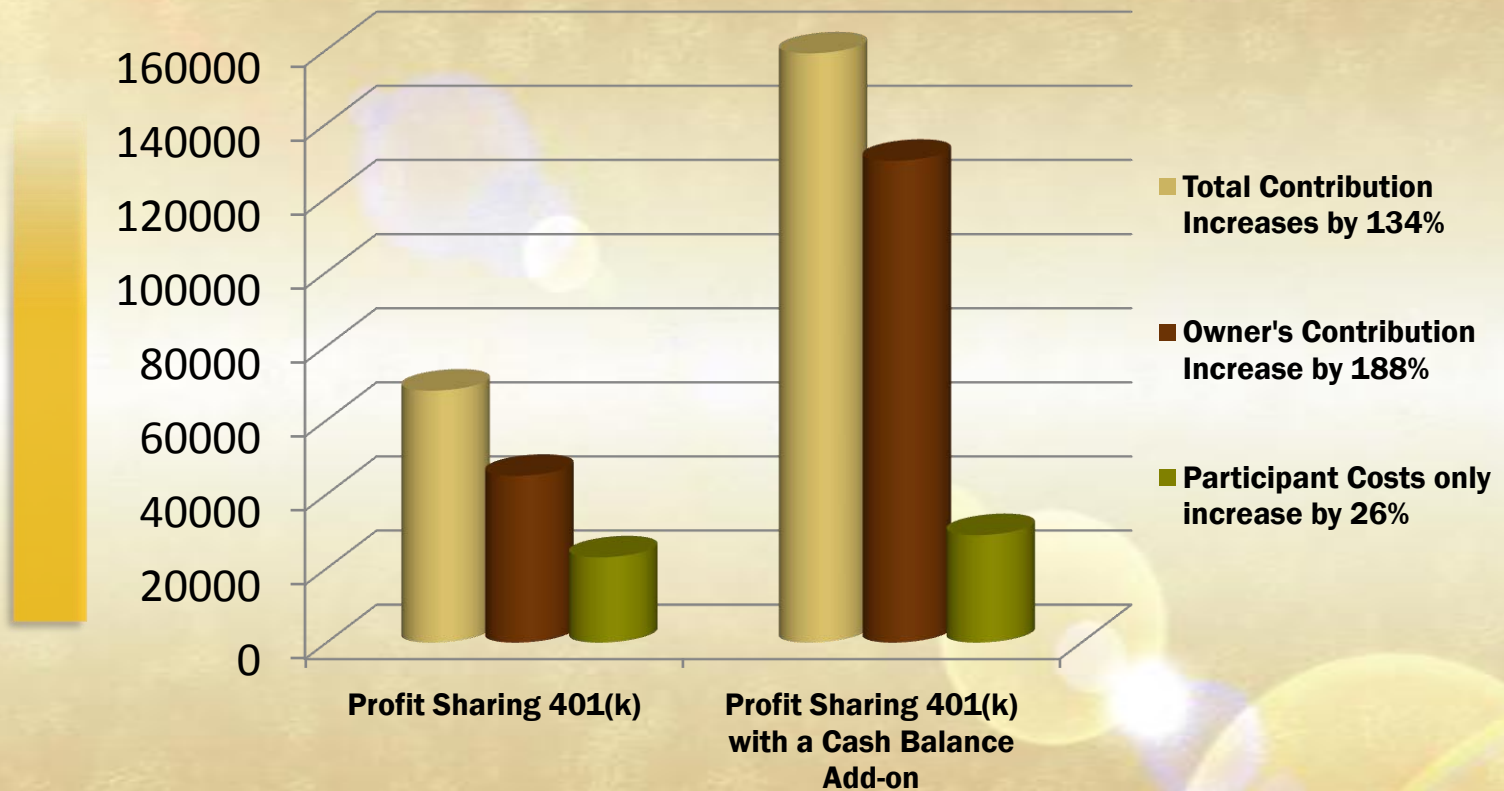


Number of Employees	12
Total Eligible Compensation	\$600,000
One Owner Dentist	Age 48
Ages of Other Participants	24—60

PLAN DESIGN EXHIBIT ONE

Dental Practice Contribution Summary Part Three

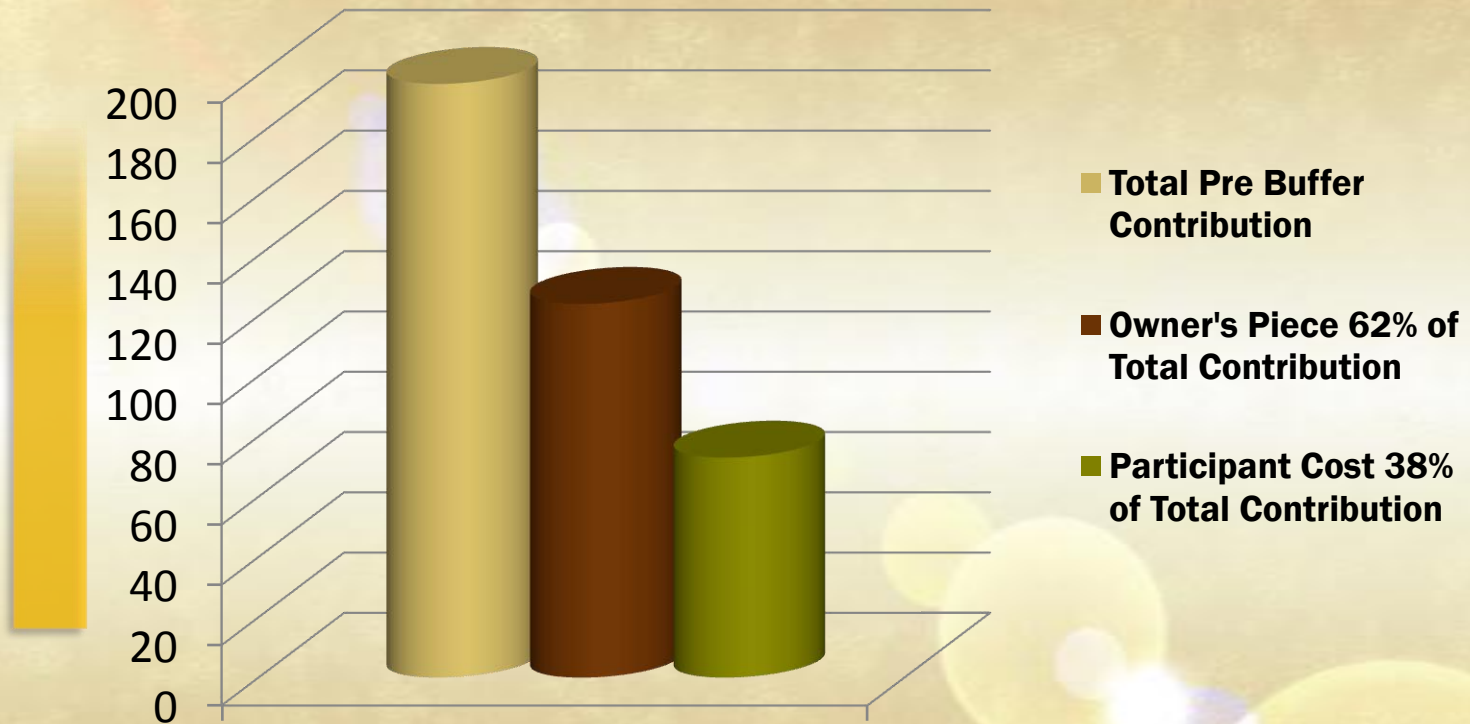
A Larger Piece of
a Larger Pie



SLIMMING DOWN AND ADDING ON

Part One

What Can You Do With Those Old High Cost Defined Benefit Plans



OLD BLOATED DEFINED BENEFIT PLAN

Number of Employees	20
Total Eligible Compensation	\$1,000,000
One Owner	Age 50
Ages of Other Participants	22–62

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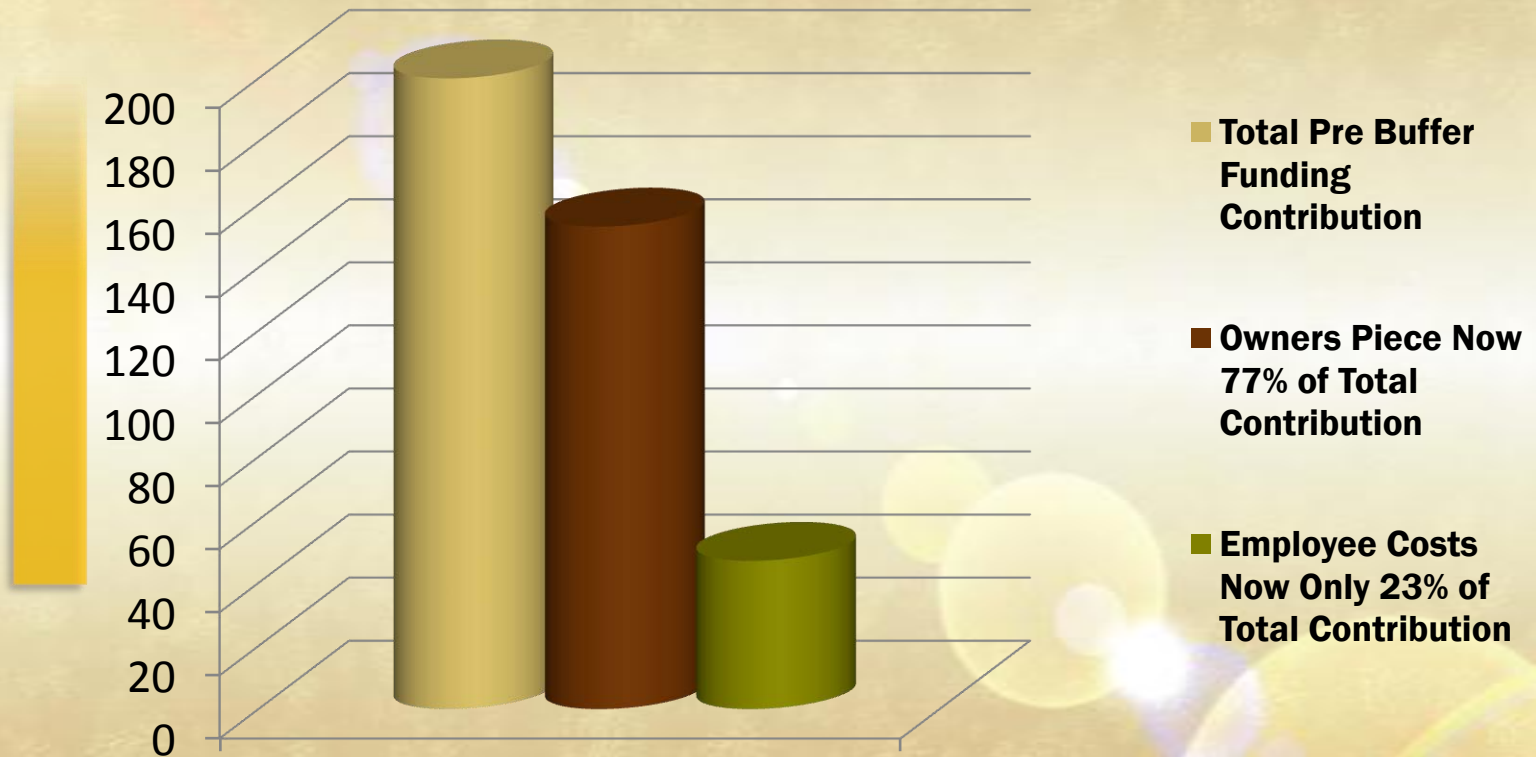
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SLIMMING DOWN AND ADDING ON

Part Two

By Converting Them Into Cash Balance Plans & Adding-on a Profit Sharing 401(k) Plan
You Lower the Owner's Costs and Increase the Assets Under Management for You



**New Slimmed Down
Cash Balance/PS 401(k) Combo Plan**

Number of Employees	20
Total Eligible Compensation	\$1,000,000
One Owner	Age 50
Ages of Other Participants	22–62

COMPETITIVE ADVANTAGE

WHY ADDING ON A CASH BALANCE PLAN TO YOUR 401(K) GIVES YOU A COMPETITIVE ADVANTAGE

- Much larger contributions than 401(k) plans which means more assets under management
- Much less administrative time than 401(k) plans
- Two plans to administer
- New business from existing customer base
- Competitive advantage to acquire and maintain client base



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WHAT BUSINESS OWNERS WANT

- Maximize Deductions/Accumulations
- Allocate Contributions Among Participant's in a Way That Makes Business Sense
- Flexibility in Funding From One Year to the Next—Not Allowing a Required Contribution Holding the Business Hostage
- Limit Risks: Investment, Costs, Funding, In Compliance With the Rules
- Have Employees Participate in Funding for Their Retirement
- Limited Administrative Hassle



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THE BETTER PIE

A Bigger Piece of a Bigger Pie—With Better Flexibility

Profit Sharing 401(k)



Cash Balance/Profit Sharing 401(k) Combo



PENSION PROTECTION ACT OF 2006

Tools To Meet All Of The Sponsor's Needs

- Larger Deductions with Defined Benefits and Combo Plans
- The Ability to Build up a Funding Surplus (Buffer Funding) to Weather Slow Years
- The Removal of a Cloud Over Cash Balance Plans— Yes They Are Legal, and That Includes Conversions Too!
- Less Risk Than Regular Defined Benefit Plans



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CASH BALANCE PLANS

Less Risk

Then Final Average Pay Defined Benefit Plans

- Cash Balance is a Career Average, as Opposed to a Final Average Pay, Defined Benefit Plan—This Prevents Run Away Costs
- Smaller PBGC Premiums
- Less Investment Risk— More Equity Investment on the Profit Sharing/401(k) Side and more conservative/fixed Income on the Cash Balance Side
- No Lump Sum Payout Risk
- Limit Costs on Older Short Service Employees



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CASH BALANCE PLANS BALANCE SUMMARY

Simple to Understand and Explain
To your Clients

Name	Pay	Balance Beginning Of Year	Contri.	Contri. %*	Earnings 5% Credit**	Balance End Of Year
Hypothetical Credits:						
Owner	\$225,000	\$61,600	\$63,000	28%	\$3,080	\$127,680
Other	\$22,000	\$600	\$660	3%	\$30	\$1,290
Total	\$247,000	\$62,200	\$63,660		\$3,110	\$128,970
Actual Funding						
Total		\$85,235	\$75,000		\$2,557	\$162,792
Over (Under) Funding						
		\$23,035	\$11,340		(\$553)	\$33,822
* This is combined with a Profit Sharing Plan for Passing Various Tests						
** 5% Interest is Based on an Assumed 30 Year Treasury Rate						

CASH BALANCE PLANS

More Cost Cutting

The Lean and Mean Defined Benefit Plan

**Greatly Limit
Costs For Older
Shorter Service
Employees**

**Reduce Costs
For Older
Longer Service
Employees**

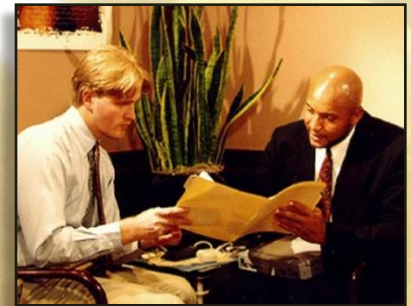
**Vary Costs For
Employees
Based On Non-
age Criteria**

TWO PLANS ARE BETTER THAN ONE

Cash Balance Plans (and Other Defined Benefit Plans)

Part One

- Allow for Larger Deductions
- Allow for variations in funding without changing the Benefit Promise
- Don't Necessarily Need High Salaries each year for key persons in order to get a big accrual for that key person



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TWO PLANS ARE BETTER THAN ONE

Profit Sharing/401(k) Plans

Part Two

401(k) Plans

- Allow for employees to help pay for their retirement
- Allow for contributions that are not included in employer deduction limits
- May allow members of owner's family to maximize their contribution without having a very big salary (i.e. 50 year old spouse of owner defers \$20,000 on salary of \$30,000)
- With a Safe Harbor contribution can leverage the contribution for an owner (between owner deferral and employer money)

Profit Sharing

- Flexibility in contributions
- With participant direction, equity investments are available without direct sponsor risk
- No accumulation limits (as long as contributions put in are within the limits) as in Defined Benefit Plans with IRC Section 415(b) payout and related lump sum limits



TWO PLANS ARE BETTER THAN ONE

Dual Plans (Combo Plans)

Part Three

- Allows more skewing of contributions to favored employees than either Cash Balance or Profit Sharing alone
 - This is due, in part, to the fact that interest rates used to test Profit Sharing Contributions can be as high as 8.5% while hypothetical contributions to Cash Balance Plans are converting to an equivalent annuity for testing at 30 year treasury rates which have been around 5% for the last few years.
 - Since Funding and related Accrual do not have to take place in the same year in the Cash Balance Plan a Cash Balance Plan can be over funded in one year and the related accrual can be made in another year when the demographics are more favorable
- Larger overall accumulations are available for two plans as opposed to one – especially for those subject to PBGC premiums since as of 2008 there are no combined plan deductible limits. We believe there will develop a new “art form” on how to maximize and optimize contributions between both plans over multi years.



THE POWER OF COMBO PLAN LEVERAGING

Putting Away a 1% Contribution for a 34 Year Old Non Highly Compensated Employee in a Profit Sharing Plan Will Buy What for a 42 Year Old Highly Compensated Employee?

- 2% Contribution in a Profit Sharing Plan
- 3% Contribution in a Cash Balance Plan that Allows Lump Sum Payouts for HCE
- 5.5% Contribution in a Cash Balance Plan that has no Lump Sum Payouts for HCE

(Please note if the 1% contribution for the NHCE is in a Cash Balance Plan the 42 year old HCE equivalent contribution is just 1.48%.)

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EXHIBIT ONE

Maximizing Contributions For Young Successful Couple

2007

	Age	Pay	Safe Harbor 401(k)/PS Contri.	% of Pay	Cash Balance Equivalent Contri.	% of Pay	Total Contri.	% of Pay	% of Total
Young Husband	39	225,000	26,000	11.6%	63,771	28.3%	89,771	39.9%	51.4%
Young Wife	37	225,000	26,000	11.6%	57,600	25.6%	83,600	37.2%	47.8%
Younger Sister	26	18,000	1,080	6.0%	360	2.0%	1,440	0.6%	0.8%
Total		468,000	53,080		121,731		174,811		100.0%
Total Employer Amount							144,811		
Total Employer % of Pay							30.9%		

2008

	Age	Pay	Safe Harbor 401(k)/PS Contri.	% of Pay	Cash Balance Equivalent Contri.	% of Pay	Total Contri.	% of Pay	% of Total
Young Husband	40	225,000	45,000	20.0%	66,857	29.7%	111,857	49.7%	50.8%
Young Wife	38	225,000	45,000	20.0%	60,686	27.0%	105,686	47.0%	48.0%
Younger Sister	27	18,000	2,160	12.0%	360	2.0%	2,520	14.0%	1.1%
Buffer Funding							127,860	27.3%	100.0%
Total		468,000	92,160		255,763		347,923		
Total Employer % of Pay							74.3%		

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EXHIBIT TWO

Maxed Out Safe Harbor 401(k) Profit Sharing Plan Part One

Name	Current Age	Service	Eligible Pay	3% Safe Harbor	401(k) Deferral Owner	Year End Profit Sharing Contri.	Total Contri.	% of Pay
Owner	52	32	225,000	6,750	20,500	22,750	50,000	22.22%
Non-Owner HCE #1	43	11	150,000	4,500		3,000	7,500	5.00%
Older Long Service #1	59	28	36,000	1,080		720	1,800	5.00%
Older Short Service	57	4	30,000	900		600	1,500	5.00%
Other #1	38	5	75,000	2,250		1,500	3,750	5.00%
Other #2	33	4	47,500	1,425		950	2,375	5.00%
Other #3	24	2	27,500	825		550	1,375	5.00%
Other #4	26	2	24,000	720		480	1,200	5.00%
Other #5	24	2	20,000	600		400	1,000	5.00%
Other #6	27	5	45,000	1,350		900	2,250	5.00%
Other #7	43	6	55,000	1,650		1,100	2,750	5.00%
Other #8	25	1	22,000	660		440	1,100	5.00%
Other #9	48	9	75,000	2,250		1,500	3,750	5.00%
Other #10	32	4	40,000	1,200		800	2,000	5.00%
Other #11	26	2	30,000	900		600	1,500	5.00%
Other #12	54	2	60,000	1,800		1,200	3,000	5.00%
Total			962,000	28,860	20,500	37,490	86,850	
Owner Amount			225,000	6,750	20,500	22,750	50,000	
Owner % of Total			23.39%	23.39%	100.00%	60.68%	57.57%	

EXHIBIT TWO

401(k) Profit Sharing Plan With Cash Balance Plan Added-on Part Two

Name	Current Age	Service	Eligible Pay	Total PS 401(k) Contrib.	Total PS/401(k) Contrib. % of Pay	Cash Balance Add-On % of Pay	Cash Balance Add-On Contrib.	Total Contrib. Both Plans
Owner	52	32	225,000	30,500	13.56%	63.00%	160,000	190,500
Non-Owner HCE #1	43	11	175,000	8,750	5.00%	0.00%	-	8,750
Older Long Service #1	59	28	36,000	2,250	6.25%	10.00%	3,600	5,850
Older Short Service	57	4	30,000	1,875	6.25%	2.00%	600	2,475
Other #1	38	5	75,000	4,688	6.25%	2.00%	1,500	6,188
Other #2	33	4	47,500	2,969	6.25%	2.00%	950	3,919
Other #3	24	2	27,500	1,719	6.25%	2.00%	550	2,269
Other #4	26	2	24,000	1,500	6.25%	2.00%	480	1,980
Other #5	24	2	20,000	1,250	6.25%	2.00%	400	1,650
Other #6	27	5	45,000	2,813	6.25%	2.00%	900	3,713
Other #7	43	6	55,000	3,438	6.25%	2.00%	1,100	4,538
Other #8	25	1	22,000	1,375	6.25%	2.00%	440	1,815
Other #9	48	9	75,000	4,688	6.25%	2.00%	1,500	6,188
Other #10	32	4	40,000	2,500	6.25%	2.00%	800	3,300
Other #11	26	2	30,000	1,875	6.25%	2.00%	600	2,475
Other #12	54	2	60,000	3,750	6.25%	2.00%	1,200	4,950
CB Pre-Funding							75,913	75,913
Total			987,000	75,938			250,533	326,470
Owner Amount			225,000	30,500			160,000	190,500
Owner % of Total			22.80%	40.16%			91.6%	76.0%

EXHIBIT THREE

Second Generation Owners "Maxed Out" Safe Harbor 401(k) Profit Sharing Plan Part One

Name	Age	Service	Eligible Pay	3% Safe Harbor Contri.	% of Pay	Profit Sharing Contri.	% of Pay	Est. 401(k) Salary Deferral	% of Pay	Total Profit Sharing Contri.	% of Pay
Long Service #1	60	25	40,000	1,200	3.0%	2,800	7.0%		0.0%	4,000	10.0%
Long Service #2	55	20	35,000	1,050	3.0%	2,450	7.0%		0.0%	3,500	10.0%
Older Short Svc	60	2	25,000	750	3.0%	1,750	7.0%		0.0%	2,500	10.0%
Owner #1	42	10	225,000	6,750	3.0%	22,750	10.1%	15,500	6.9%	45,000	20.0%
Owner #2	40	10	225,000	6,750	3.0%	22,750	10.1%	15,500	6.9%	45,000	20.0%
Other #1	40	3	30,000	900	3.0%	2,100	7.0%		0.0%	3,000	10.0%
Other #2	30	1	20,000	600	3.0%	1,400	7.0%		0.0%	2,000	10.0%

Total	600,000	18,000	56,000	31,000	105,000
Owner's	450,000	13,500	45,500	31,000	90,000
Owner's %	75.0%	75.0%	81.3%	100.0%	85.7%

EXHIBIT THREE

Second Generation Owners 401(k) Profit Sharing Plan With Cash Balance Added-on Part Two

Name	Age	Service	Eligible Pay	Total Profit Sharing Including Owner 401(k)	% of Pay	Cash Balance Contri.	% of Pay	Total Contri.	% of Pay
Long Service #1	60	25	40,000	6,000	15.0%	800	2.0%	6,800	17.0%
Long Service #2	55	20	35,000	5,250	15.0%	700	2.0%	5,950	17.0%
Older Short Svc	60	2	25,000	1,250	5.0%	500	2.0%	1,750	7.0%
Owner #1	42	10	225,000	25,250	11.2%	72,000	32.0%	97,250	43.2%
Owner #2	40	10	225,000	25,250	11.2%	65,000	28.9%	90,250	40.1%
Other #1	40	3	30,000	1,500	5.0%	600	2.0%	2,100	7.0%
Other #2	30	1	20,000	1,000	5.0%	400	2.0%	1,400	7.0%
Total			600,000	65,500		140,000		205,500	
Owner's			450,000	50,500		137,000		187,500	
Owner's %			75.0%	77.1%		97.9%		91.2%	
Total Employer Contribution								174,500	
Percent of Eligible Pay								29.1%	

TYPES OF CASES

Owner Dominated 3 to 50 participants	Family Dominated 5 to 80 participants	Small Doctor/Dentist Owner 3 to 15 participants
Large Multiple Doctor Practice 30 to 150 employees with 5 to 50 doctors	Construction Contractors	Architects
Attorneys	Credit Unions	Non-Profits
Insurance Agencies	Consultants	Many Others

Inquires And Questions Can Be Directed To

John S. Agatston

President

FSA, EA, MAAA, MSPA

Gregory W. Elnyczky

Chief Actuary

EA, MSPA, COPA

Voice: 412-967-6240 • Fax: 412-774-1670

Email

johna@practicalactuary.com

grege@practicalactuary.com

larryl@practicalactuary.com

arim@practicalactuary.com

Website

www.practicalactuary.com

235 Alpha Dr Ste 204 • Pittsburgh, PA 15238

JSAAS

JOHN S AGATSTON
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