# Cash Balance Plan (CBP) Overview

## Key Traits of Companies That Should Consider a CBP

1. Company with a high need for tax deductions
2. Company with excess cash and stable cash flow
3. Company that wants opportunities for employees to save beyond a 401(k) plan
4. Company that often (but not required) has a small number of key employees
5. Company with high, stable earnings from year-to-year

## What are the Characteristics of a CBP?

- Contribution is specified in the Plan Document
- Provides more flexibility in allocating benefits to different employee groups
- Contributions are credited to a “Hypothetical Account” for each participant yearly
- Fixed Annual Credit and Fixed Annual Interest Credit on the Account
- Plan guarantees a specific benefit amount providing predictability and security
- Offers significant tax-deferred savings opportunities
- Allow for significantly larger contributions than a 401(k) plan alone
- Plan sponsor bears investment risk, not employees
- Contributions must be Fully Vested after three years
- Plan should be maintained for five years to satisfy Permanency requirements
- Plan Assets are Pooled and Trustee-Directed

## Contact Us

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