

April 2007

LAW FIRM CASE STUDIES: When 401(k) Is Not Enough

Our recent analysis of Los Angeles-area law firms' 401(k) plans suggests that many law firm partners have reached or soon will reach maximum contribution levels. Many of these partners desire to contribute additional money to their retirement plans on a tax-deferred basis but are prevented by the legal limits applicable to 401(k) plans.

With 150 law firm clients, Kravitz is in a unique position to add value to law firm retirement programs. As a long-time innovator in retirement planning, Kravitz has created ways to maximize partners' tax-deductible contributions to their retirement plans using [Cash Balance Plans](#).

The following "real life" examples illustrate how Kravitz has recently used its expertise to enhance retirement planning for law firms:

Partners Able to Defer More After Maxing Out 401(k)

One of LA's largest law firms needed to provide a program for additional tax-deferral for a sizable number of its partners. The 401(k) [Profit Sharing](#) contributions of \$45,000 per individual per year were just not enough.

In 2006, Kravitz designed a Cash Balance Plan for this law firm. For that year, the firm will contribute approximately \$7,000,000 to the plan, with many of the partners receiving contributions ranging from \$50,000 to \$150,000.

The firm continues to offer a generous 401(k) Profit Sharing Plan to all its employees with an enhanced benefit package to reward employees with more than 20 years of service.

Web Seminar: Cash Balance Plans Are Law Firms' Next 401(k)s

Kravitz is hosting a webcast for attorneys on **May 3rd** from **10:00 am to 10:45 am** on how law firms can increase their tax savings by deferring more into a Cash Balance Plan. To sign up, or for more information, contact [Meghan Conboy](mailto:MConboy@LKravitz.com) via email at MConboy@LKravitz.com or by phone at (818) 379-6181.

Good Candidates for Cash Balance



1. Partners or owners who desire to contribute more than \$45,000/year to a tax-deferred retirement plan.
2. Companies that have consistent profits.
3. Companies that already contribute 3-4% of pay to employees or are at least willing to do so.
4. Partners or owners over 40 years of age who desire to "catch up" or accelerate their pension savings.

Firm Doubled Contributions in 2007 Thanks to 2006 Law Change

Cash Balance Plans became even more valuable this year. One of our law firm clients has maintained a Cash Balance Plan for several years, contributing about \$350,000 each year in total for its seven partners.

This year, Kravitz redesigned the Cash Balance Plan to allow for the larger contributions permitted under a new law effective in 2007, [Pension Protection Act of 2006](#). The seven partners are now enjoying contributions totaling \$725,000. This represents a contribution of over \$100,000 per partner per year to the Cash Balance Plan alone, not including individual contributions to the 401(k) Plan.

Kravitz redesigned the Cash Balance Plan without triggering a corresponding cost increase for the employees' 401(k) plan.

Law Firm Used [Cash Balance](#) to "Catch Up"

A 75-attorney firm in Los Angeles was especially hard-hit by the bear market of 2000-2002. Some partners saw the value of their 401(k) assets drop by 50%-75%. These partners were strongly motivated to make up those losses.

The firm chose to add a Cash Balance Plan to its existing [401\(k\) plan](#), which allowed its partners to make significant "catch-up" contributions. They have now done so for four years, and many have seen their retirement accounts surpass the 1999 highs by a significant amount.

Check your 2007 maximum cash balance contribution by clicking [here](#).

Daily Journal Article

An article by Dan Kravitz, [Cash-Balance Plans Are Law Firms' Next 401\(k\)s](#), was featured in the March 28 edition of the Los Angeles Daily Journal.