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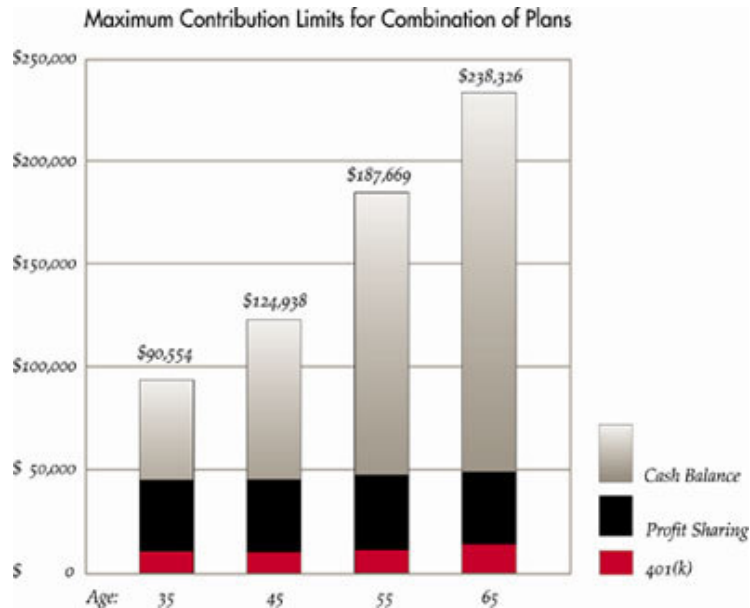
"How to Squeeze 20 Years of Retirement Savings into 10"

✓ **Feature Article**

You may be looking for ways to accelerate retirement savings. The conventional savings period of time is 20 to 25 years, but what if that 20 years could be squeezed into 10?

The best way to shorten the savings period is to increase the savings amount with pre-tax dollars. But there are limits. The 401(k) annual maximum contribution is \$15,000, while the maximum contribution for profit sharing is \$44,000. What if one could double or triple these amounts?

Cash Balance pension plans do just that. In 2001, tax law changes increased the maximum allowable Cash Balance contributions in retirement plans by 60%. Total amounts are dependent on age and pension compliance testing. The graph below illustrates the contribution maximums for Cash Balance plans combined with 401(k) profit sharing.



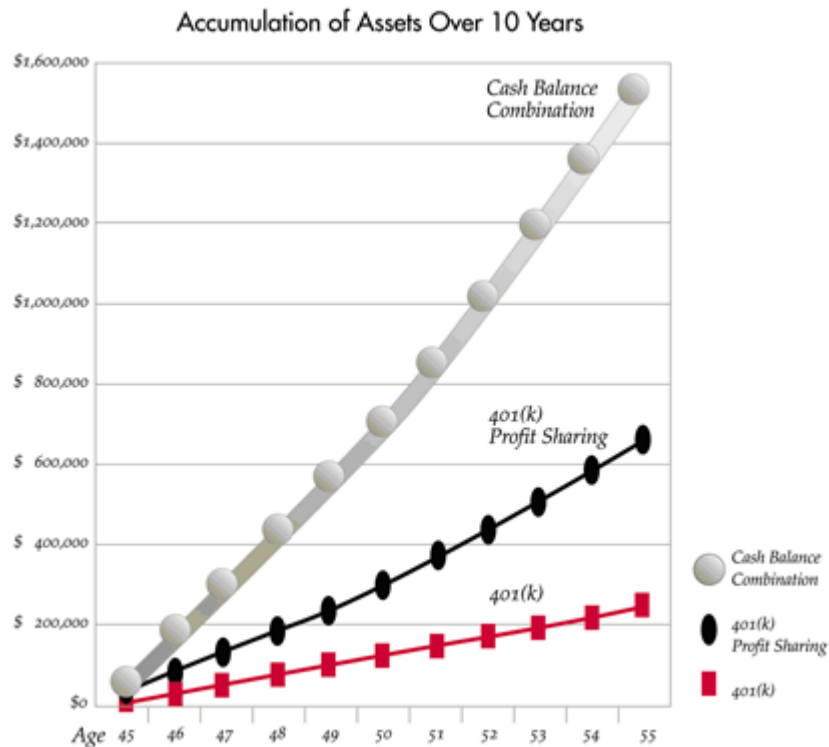
What is a Cash Balance plan? Cash Balance plans resemble 401(k)/profit sharing plans, with some key differences. The advantage is that they combine the high contribution amounts of a defined benefit plan with some of the flexibility and portability of 401(k)/profit sharing plans.

Each participant has an individual account. The account is credited annually with an employer contribution and an interest credit. Both amounts are determined by a formula specified in the Plan Document. The annual contribution amount is typically a percentage of salary, or a flat dollar amount.

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Can Cash Balance be added to 401(k)/profit sharing plans? Yes, plans can be layered on top of one another to form a combination plan. The amounts are additive, equaling a very high sum. For example, a 55-year-old individual can defer \$187,669 annually into a Cash Balance plan with pre-tax dollars. These plan-combinations offer perhaps *the most potent means of acceleration* of retirement savings with pre-tax dollars.

Does acceleration with Cash Balance plans make a difference? The graph below demonstrates how 20 years of savings can be squeezed into 10. This assumes contributions of \$44,000 to 401(k)/profit sharing plans and \$58,000 to the Cash Balance plan for a total annual contribution of \$100,000. It also assumes 8% return on the 401(k)/profit sharing assets and 5% on the Cash Balance assets, for a total of almost \$1.6 million.



Cash Balance plans are ideal for:

- Those who desire to contribute more than \$44,000 to a tax-favored retirement plan.
- Those who have experienced a consistent profit pattern over several years.
- Those who already contribute 3-4% of pay for their employees.

Cash balance plans do not make sense for everyone. The administration of cash balance plans is more complex and involves higher costs than 401(k) plans. The decision to adopt a cash balance plan should include a careful analysis of current and future retirement objectives.

How can you find out more information?

- **Call Ken Guidroz** for at 818-379-6165 or e-mail him at KGuidroz@LKravitz.com
- Visit Kravitz' website, www.LKravitz.com, for more information on Cash Balance plans.