

# OwnersPlus™

Cash Balance + 401(k)

4/2/2018

**Retirement Plan Illustration for:** Dr. Smith

**Presented By:** Dedicated Defined Benefit Services

This Illustration provides a preliminary estimate of the annual contributions you can make to your OwnersPlus™ Retirement Program based on the information provided. We will work with you to adjust these amounts as we gather more detailed information about your objectives and business situation.

## OwnersPlus™ Retirement Program Summary

<b>2018 Contribution for Owners</b>	<b>\$ 322,637</b>	
Cash Balance Plan		\$ 283,261
401(k) Salary Deferrals		\$ 24,500
Safe Harbor 401(k)/Profit Sharing Plan		\$ 14,876
<b>2018 Owner's Contribution for Employees</b>	<b>\$ 10,784</b>	
Cash Balance Plan		\$ 2,200
Safe Harbor 401(k)/Profit Sharing Plan		\$ 8,584
<b>Total 2018 Contribution</b>	<b>\$333,421</b>	
<b>Percent to Owners</b>	<b>97%</b>	

**Total 2018 Tax Savings** **\$ 123,360 \***

\*Current year tax savings are estimated at 37% combined Federal and state tax rates.

### Assumptions

- This retirement program will combine the cash balance plan with a safe harbor 401(k)/profit sharing plan to satisfy non-discrimination testing.
- The plans should be in place for a minimum of three years. The IRS has a permanency requirement which appears to be satisfied at three years.
- Contributions above are based on information you provided including compensation, age and years of service.

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## Cash Balance Illustration

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<b>Owners</b>	<b>Age</b>	<b>Compensation</b>	<b>Cash Balance</b>	<b>Pay Credits</b>
Dr. Smith	62	\$ 275,000	\$	283,261

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<b>Total for Owners</b>		<b>\$ 275,000</b>	<b>\$</b>	<b>283,261</b>
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<b>Employees</b>	<b>Age</b>	<b>Compensation</b>	<b>Cash Balance</b>	<b>Pay Credits</b>
Dana	27	\$ 20,000	\$	550
Kimberly	34	\$ 39,000	\$	550
Natalie	25	\$ 21,000	\$	550
Laurie	30	\$ 36,000	\$	550

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<b>Total for Employees</b>		<b>\$ 116,000</b>	<b>\$</b>	<b>2,200</b>
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## 401(k)/Profit Sharing Illustration

Owners	Compensation	401(k)		Safe Harbor 401(k) Profit Sharing	Owners' Total Contributions All Plans
		Deferral			
Dr. Smith	\$ 275,000	\$ 24,500		\$ 14,876	\$ 39,376
		\$ -			
		\$ -			
		\$ -			
<b>Total for Owners</b>	<b>\$ 275,000</b>	<b>\$ 24,500</b>		<b>\$ 14,876</b>	<b>\$ 39,376</b>
Employees	Compensation	401(k)		Safe Harbor 401(k) Profit Sharing	Employees' Total Contributions All Plans
		Deferral			
Dana	\$ 20,000	\$ -		\$ 1,480	\$ 1,480
Kimberly	\$ 39,000	\$ -		\$ 2,886	\$ 2,886
Natalie	\$ 21,000	\$ -		\$ 1,554	\$ 1,554
Laurie	\$ 36,000	\$ -		\$ 2,664	\$ 2,664
		\$ -			
		\$ -			
		\$ -			
		\$ -			
		\$ -			
		\$ -			
<b>Total for Employees</b>	<b>\$ 116,000</b>	<b>\$ -</b>		<b>\$ 8,584</b>	<b>\$ 8,584</b>

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## How It Works

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The OwnersPlus™ Retirement Program is an employer-sponsored cash balance defined benefit plan combined with a safe harbor 401(k)/profit sharing plan to allow business owners with a few employees to maximize their own deductible contributions while controlling the total cost of employee retirement benefits.

The business owner will establish two plans:

### 1 The Defined Benefit Cash Balance plan:

- Allows the largest allowable deductible contributions (called "pay credits") for business owners.
- The business owner can set one annual fixed contribution for owners and a different fixed contribution for other eligible employees, within the limits specified by the IRS.
- The business owner, generally working with a financial advisor, will select investments for the Cash Balance plan. Any marketable securities, bonds and funds can be used to fund this account.
- The plan establishes an interest rate that is applied to the account balances annually to calculate the "interest credit". Each account earns this interest credit annually irrespective of the plan's actual investment performance.
- The business owner bears the investment risk. If the investments perform better than assumed, the required annual contribution decreases. If the investment portfolio does not perform better than assumed, the required contribution will increase over time.
- Although investments are in a pooled account, the participants will receive annual statements showing their guaranteed value.
- The business owner and their financial advisors structure the investment portfolio to meet or exceed the established plan interest rate.

### 2 The 401(k)/Profit Sharing plan:

- Allows for individual accounts to be set up for each eligible employee.
- The business owner contributes 3% of salary for each eligible employee for a Safe Harbor 401(k).
- The business owner generally will also make a profit sharing contribution between 2% and 4.5% of salary for each eligible employee, as specified by the plan design. All Safe Harbor and Profit Sharing contributions are 100% vested.
- All eligible employees, including the owners, have the option to defer a portion of their salary annually up to the lesser of \$18,500 (in 2018) or 100% of salary into the 401(k). Participants who are at least 50 years of age can make an additional catch-up contribution of \$6,000 in 2018.
- **For plans adopted during the last 3 months of the year, owners and other highly-compensated employees will be limited to deferring 5% of their annual salary.**

Dedicated Defined Benefit Services will design the plans and calculate these contribution amounts based on a number of factors including age, income, years of service and the business owners' objectives in establishing the plan. Plans will be designed to ensure compliance with Internal Revenue Code.

## Business Owner Considerations

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While the OwnersPlus™ Retirement Program may allow you to contribute, deduct and accumulate larger amounts than would be possible through other retirement plans, you assume special obligations and risks when you establish it.

- **You are making a commitment to contribute each year that the plans are active.**
- OwnersPlus™ Retirement Program provides benefits for employees as well as the business owner. It is the owners' responsibility to fund the plans in the amounts and according to the schedule specified in this illustration once the plan is established. As your business situation changes and employees are added or terminated, changes to the plans may be required to continue to meet IRS regulations. If your business is highly volatile, this program may not be the right choice for you.
- Dedicated Defined Benefit Services will assign a consultant to work with you to update your information and amend your plan as required. Your consultant will gather information from you annually and support the ongoing administration of your plan. It will be your responsibility to provide updated information and to notify us as soon as you are aware of significant changes to your business situation.
- **You can terminate your Plans subject to IRS rules.** Depending on the assets in the cash balance plan and the timing of the termination, you may be required to make a contribution to either or both plans in the year of termination.
- You have distribution alternatives at retirement and plan termination. Subject to IRS rules, you can roll your plan assets over into an IRA or another qualified retirement plan, continuing to defer taxes until funds are withdrawn. You can roll your assets into an IRA annuity and take a guaranteed income for life.
- Because these plans have non-owner participants, they must obtain an ERISA Fidelity bond. An ERISA Fidelity bond is insurance that protects the plan from loss due to fraudulent or dishonest acts by those who handle funds or other property of an employee benefit plan. Generally, a plan is required to be bonded at 10% of the value of the assets in the plan.
- Certain defined benefit/cash balance plans are subject to coverage by the Pension Benefit Guaranty Corporation (PBGC). The PBGC is a government agency that guarantees the benefits in defined benefit plans, up to certain limits. If your plan is covered by the PBGC, there is an annual premium that must be paid and a corresponding annual filing. In addition, when the plan terminates, the termination must be approved by the PBGC.

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## OwnersPlus™ Fee Schedule

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### Plan Design and Plan Documentation Fee

(First year only)

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	2-5 Participants	6+ Participants
Cash Balance Plan	\$ 2,250	\$ 2,250 + \$ 100 Per Additional Participant
401(k) Profit Sharing	\$ 1,250	\$ 1,250 + \$ 50 Per Additional Participant

### Annual Administration

(Also applies in first year)

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	2-5 Participants	6+ Participants
Cash Balance Plan	\$ 2,850	\$ 2,850 + \$ 100 Per Additional Participant
401(k) Profit Sharing	\$ 1,450	\$ 1,450 + \$ 50 Per Additional Participant

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Cash Balance Plan and 401(k) Testing Fee	\$ 650
Testing Fee for pre-existing 401(k) Plan	\$ 850
PBGC filing fee	\$ 375

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*Base fee includes: Annual Data Collection, Data Entry, Valuations, Computer Services, Tax Forms & Schedules, IRS Code Section Qualification Analysis, up to 3 hours of trust accounting, actuarial fees, routine phone consultation and correspondence.*

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## Next Steps

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- 1 After you've had a chance to consider this Illustration, your Advisor will arrange a call with Dedicated Defined Benefit Services (Dedicated DB) and your CPA, to answer your questions and gather the additional information we need to refine this estimate and create a formal plan design.
- 2 Once Dedicated DB has received your additional information on our Plan Design Questionnaire, we will design your Program, revising estimates as required, to meet your retirement program objectives.
- 3 We will review the Illustration for your OwnersPlus™ Retirement Program with you and your financial advisors, and obtain your commitment to proceed.
- 4 To establish your Program, you will need to sign the Proposal and send a check for the Plan Design and Documentation Fee to Dedicated DB.
- 5 The OwnersPlus™ Retirement Program must be established by the end of your fiscal year.
- 6 Once your OwnersPlus™ Retirement Program is established, you will work with your Financial Advisor to establish multiple investments accounts: one pooled account for your Cash Balance Trust, and individual accounts for each participant in the 401(k)/Profit Sharing Trust - if you do not already have one. Company contributions to the Cash Balance and 401(k) Profit Sharing accounts are not required to be deposited until your tax filing deadline.

**If you have any questions about this Illustration, please contact your Financial Advisor or Dedicated Defined Benefit Services at 1-866-269-2706.**



Plan design, annual administration, and actuarial services for OwnersPlus™ Retirement Program are provided by Dedicated Defined Benefit Services, the premier specialist for personal pension plans nationwide. Information provided in this proposal is not intended as tax or legal advice. All contribution amounts are **ESTIMATES ONLY** until we receive your final year-end data and the contribution is approved by our actuary. You should consult your tax or legal advisor as appropriate for advice with respect to your individual situation.