

Another Retirement Plan Success Story – Let Us Write One for Your Client

In late 2012, we were asked to review a medical practice's existing cash balance and 401(k) profit sharing plans. The plans covered seven doctors and more than 50 employees. The doctors' total annual contributions included \$55,500 each to the 401(k) Plan (including both 401(k) deferrals and employer contributions) and a pay credit of approximately \$87,300 each in the cash balance plan. The uniform pay credits to the cash balance plan troubled the doctors—the doctors' savings needs varied and all wanted to contribute significantly greater amounts. Most employees were receiving total annual employer contributions equal to 7.5% of compensation in the 401(k) plan, plus a cash balance plan pay credit of 2.5% of compensation.

After reviewing the employer's annual employee census information, we redesigned the cash balance plan to accommodate the doctors' goals without increasing employee costs in either plan. As a result, in 2013, the cash balance plan now features three tiers of pay credits for the doctors. The top tier pay credit is now \$170,000 annually – nearly double the pay credit in previous years.

URGENT: 2013 Deduction Deadline

In order to deduct contributions to a tax-qualified retirement plan for the 2013 calendar tax year, a written plan document must be signed and dated not later than December 31, 2013. Independent Actuaries looks forward to helping your clients create new plans or redesign older plans. In order to produce a plan document by December 31, we would need to be contacted by you no later than December 17. Please let us know as soon as possible if you have a client that might benefit from adopting a tax-qualified retirement plan.

This article was written by Jason W. Douthit, J.D. Jason's work focuses on defined contribution plans and executive deferred compensation plans. He also represents employers in matters related to IRS and Department of Labor qualified plan correction programs. Jason holds a B.A. in Labor Studies and Philosophy, a J.D. from University of California at Davis School of Law, and is a member of the Oregon State Bar.