Goals

1. **Give you** a clear understanding of the Cash Balance market, present, and future

2. **Show you** how to take advantage of Cash Balance growth

3. **Empower you** with tools and strategies to grow your business
Agenda

1. 2017 Research Report Highlights
2. What’s Driving the Steep Growth Curve?
3. How to Take Advantage of CB Growth
4. Market Trends & Predictions
5. How We Can Help You Succeed: Next Steps

“Best of Both Worlds”

Flexibility
Portability
Simplicity

401(k)
Profit Sharing

High Contribution
Limits: $2.7M
Lifetime Benefit

Traditional
Defined Benefit

Hybrid
1 2017 Research Report Highlights

10th Annual Kravitz National Cash Balance Research Report

Data analysis using:
- IRS Form 5500 filings, 2001-2015
- Department of Labor - EBSA data and reports
- Plan Sponsor Council of America (PSCA) Annual Survey data and reports
Continuing Trend: Double-Digit Growth

Growth Comparison vs 401(k) Plans

Cash Balance: 17%  
401(k): 3%
Cash Balance Assets Surpass $1.1T

Total assets in all Cash Balance plans nationwide: $1.1T in 17,812 plans
Annual contributions for 2015: $29.3 Billion

CB Makes Up 34% of all DB Plans
### Living History: CB Plans by Year Established

![Bar chart showing the number of CB plans established by year.](chart)

* Plans with an effective date prior to 1985 are traditional defined benefit plans that were later converted to Cash Balance. The first IRS-approved Cash Balance plan was established in 1985 by Bank of America.

---

### Comparison: Company Contribution to Employee Retirement Accounts

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>401(k) only*</td>
<td>3%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>2.8%</td>
<td>3.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>401(k) combined with a Cash Balance plan**</td>
<td>6.2%</td>
<td>5.8%</td>
<td>6%</td>
<td>6.2%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>6.5%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

*Company contributions as a percentage of eligible participants' total annual payroll.

*Source: data on company contributions to 401(k) plans from Plan Sponsor Council of America (PSCA) 55th Annual Survey data and reports; CB-401(k) combo plans is based on existing Kravitz client plans.
### Cash Balance: Regional Concentration

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Number of Plans</th>
<th>Percent of Nation’s Total</th>
<th>Percent Annual Increase*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CA</td>
<td>2,384</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>2.</td>
<td>NY</td>
<td>1,788</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>3.</td>
<td>IL</td>
<td>1,137</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>4.</td>
<td>OH</td>
<td>1,129</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>5.</td>
<td>TX</td>
<td>1,102</td>
<td>6%</td>
<td>18%</td>
</tr>
<tr>
<td>6.</td>
<td>FL</td>
<td>1,064</td>
<td>6%</td>
<td>27%</td>
</tr>
<tr>
<td>7.</td>
<td>NJ</td>
<td>942</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>8.</td>
<td>PA</td>
<td>706</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>9.</td>
<td>MI</td>
<td>649</td>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td>10.</td>
<td>MD</td>
<td>436</td>
<td>2%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>National Total</strong></td>
<td><strong>17,812</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Increase in total number of plans between 2014–2015, the most recent year for which complete IRS Form 5500 data is available.

### Why Is CB More Popular in Certain States?

- **Medical “hubs”**
- **Higher Taxes**
- **Population & Age**
- **CB Champions**
Size Matters: Both Sides of the Story

Cash Balance growth: driven by small business but also popular choice for select larger firms, including Fortune 500 companies.

92% Have <100 Participants

<table>
<thead>
<tr>
<th>Participants</th>
<th>Number of Plans</th>
<th>Percent of Nation’s Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10,000</td>
<td>257</td>
<td>1.4%</td>
</tr>
<tr>
<td>1,000 to 10,000</td>
<td>581</td>
<td>3.3%</td>
</tr>
<tr>
<td>100 to 999</td>
<td>643</td>
<td>3.6%</td>
</tr>
<tr>
<td>25 to 99</td>
<td>1,909</td>
<td>10.7%</td>
</tr>
<tr>
<td>10 to 24</td>
<td>4,314</td>
<td>24.2%</td>
</tr>
<tr>
<td>1 to 9</td>
<td>10,108</td>
<td>56.7%</td>
</tr>
<tr>
<td><strong>National Total</strong></td>
<td><strong>17,812</strong></td>
<td></td>
</tr>
</tbody>
</table>

Total participants in Cash Balance plans nationwide: 12.8 million
Why So Appealing to Small Business?

1. **Cost efficiency and tax efficiency**: ratio of owner/employee contributions works very well for small to mid-size firms

2. Age-weighted contribution limits: **ideal for older owners** who have sunk most assets into the business and are behind on retirement

3. **Asset protection** (for lawsuit or bankruptcy)

4. Attracting and **retaining key employees** (Cash Balance combo plans have greater appeal than DC only)

5. **Succession planning** for family businesses

### Large Plans: Top 10 by Asset Size

<table>
<thead>
<tr>
<th>Top 10 Plans Overall</th>
<th>Top 10 Medical/Hospital Plans</th>
<th>Top 10 Law Firm Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IBM</td>
<td>1. Sutter Health</td>
<td>1. Sidley Austin</td>
</tr>
<tr>
<td>2. AT&amp;T</td>
<td>2. Massachusetts General Hospital</td>
<td></td>
</tr>
<tr>
<td>3. Boeing</td>
<td>3. Intermountain Healthcare</td>
<td></td>
</tr>
<tr>
<td>4. FedEx</td>
<td>4. North Shore University Hospital</td>
<td></td>
</tr>
<tr>
<td>5. Bank Of America</td>
<td>5. University Of Pittsburgh Medical Center</td>
<td></td>
</tr>
<tr>
<td>6. United Technologies</td>
<td>6. Barnabas Health</td>
<td></td>
</tr>
<tr>
<td>7. Alcatel-Lucent</td>
<td>7. Brigham and Women's Hospital</td>
<td></td>
</tr>
<tr>
<td>8. Honeywell International</td>
<td>8. The Cleveland Clinic Foundation</td>
<td></td>
</tr>
<tr>
<td>9. Northrop Grumman</td>
<td>9. Board of Trustees for Hospital Employees</td>
<td></td>
</tr>
<tr>
<td>10. 3M</td>
<td>10. The New York-Presbyterian Hospital</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IBM</td>
<td>$52.6B</td>
</tr>
<tr>
<td>2. AT&amp;T</td>
<td>$50.7B</td>
</tr>
<tr>
<td>3. Boeing</td>
<td>$28.7B</td>
</tr>
<tr>
<td>4. FedEx</td>
<td>$23.9B</td>
</tr>
<tr>
<td>5. Bank Of America</td>
<td>$19.5B</td>
</tr>
<tr>
<td>6. United Technologies</td>
<td>$18.1B</td>
</tr>
<tr>
<td>7. Alcatel-Lucent</td>
<td>$17.7B</td>
</tr>
<tr>
<td>8. Honeywell International</td>
<td>$16.6B</td>
</tr>
<tr>
<td>9. Northrop Grumman</td>
<td>$15.7B</td>
</tr>
<tr>
<td>10. 3M</td>
<td>$15.2B</td>
</tr>
</tbody>
</table>

1. **Sidley Austin** $760.7M
2. **Skadden, Arps, Slate, Meagher & Flom** $332.9M
3. **Morgan, Lewis & Bockius** $310.7M
4. **Akin, Gump, Strauss, Hauer & Feld** $288.4M
5. **Gibson, Dunn & Crutcher** $209.2M
6. **Jones Day** $194.7M
7. **Kirkland & Ellis** $160.4M
8. **DLA Piper** $151.4M
9. **Reed Smith** $146.7M
10. **Arnold & Porter** $136.7M
What's Driving the Steep Growth Curve?

More than a decade of double-digit annual growth:

* Projection based on current growth rates and industry data.
**Key Growth Driver: Tax Environment**

<table>
<thead>
<tr>
<th></th>
<th>2012 Rates</th>
<th>2017 Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment tax*</td>
<td>0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Highest income tax</td>
<td>35%</td>
<td>39.6%</td>
</tr>
<tr>
<td>Medicare tax**</td>
<td>2.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Capital gains/Dividend tax</td>
<td>15%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

* *Investment Income tax on all unearned income (interest, dividends, gains, rents & royalties, etc.)*

**Medicare tax for individuals is 1.45%. Most company structures require an Employer matching amount of 1.45%. Most of these taxes applied on high wage earners earning >$250k, AGI, filing jointly.

**Understanding Tax Deductions**

**Above The Line Deductions:**
“*The Gold Standard*”

*Most desirable type of deduction - Reduces AGI*

- Qualified Retirement Plan Contributions

**Below the Line Deductions**

*Many limitations - Subject to phase outs.*

- Charitable Contributions
- State Tax
- Property Taxes
- Mortgage Interest

*Subject to phase outs based on income >$250,000 (single) or >$300,000 (married filing jointly)*
Fastest Way to “Catch Up” on Savings

<table>
<thead>
<tr>
<th>Age</th>
<th>Profit Sharing</th>
<th>Cash Balance</th>
<th>TOTAL</th>
<th>Tax savings*</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 - 65</td>
<td>$60,000</td>
<td>$256,000</td>
<td>$316,000</td>
<td>$142,200</td>
</tr>
<tr>
<td>55 - 59</td>
<td>$60,000</td>
<td>$206,000</td>
<td>$266,000</td>
<td>$119,700</td>
</tr>
<tr>
<td>50 - 54</td>
<td>$60,000</td>
<td>$157,000</td>
<td>$217,000</td>
<td>$87,650</td>
</tr>
<tr>
<td>45 - 49</td>
<td>$54,000</td>
<td>$120,000</td>
<td>$174,000</td>
<td>$78,300</td>
</tr>
<tr>
<td>40 - 44</td>
<td>$54,000</td>
<td>$92,000</td>
<td>$146,000</td>
<td>$65,700</td>
</tr>
<tr>
<td>35 - 39</td>
<td>$54,000</td>
<td>$70,000</td>
<td>$124,000</td>
<td>$55,800</td>
</tr>
<tr>
<td>30 - 34</td>
<td>$54,000</td>
<td>$54,000</td>
<td>$108,000</td>
<td>$48,600</td>
</tr>
</tbody>
</table>

*Assuming 45% tax bracket, taxes are deferred

Cash Balance lifetime limit: $2,700,000

Surge in Media Coverage of CB Plans

Forbes

THE WALL STREET JOURNAL

LifeHealthPRO

Cash-balance plans grow, 4 Cash balance retirement plans enjoy rapid rise

Employers Seek Benefits in Cash Balance Pensions
Notes

• Tax climate
• Retirement savings crisis
• Legislative and regulatory changes (2006, 2010, 2014)
• Media coverage
• Growing public awareness

A Winning Hand

3 How to Take Advantage of CB Growth
You get the growth trends, you have the basic knowledge...

So now what?

5 Tips to Get Started

Tip #1: Focus on the Right Targets

**NOT** a mass market product like a 401(k):
Cash Balance is a “niche” product
Who is Ideal?

Business owners with income >$250,000 and **consistent** profit patterns

Who is Ideal?

Wealthy boomers who need to squeeze 20 years of retirement savings into 10 years
Who is Ideal?

Businesses with an existing **New Comparability** plan

- Cash Balance
- 401(k)
- Profit Sharing

Who is Ideal?

**Professional services firms**, including medical groups, CPAs, law firms and financial services
Who is Ideal?

Successful family businesses and closely held businesses

Growth Across Diverse Business Sectors:
Ever-Increasing Variety of Businesses!

Tip #2: Understand Plan Combinations

Diagram showing the percentage of DB plans associated with each plan type.
Tip #3: Reach Out to CPAs

- Some CPAs **unfamiliar** with newer Cash Balance plan designs & flexibility
- Very **protective** of clients, your job is to build trust

Tip #4: Learn About Cash Balance Investing

Opportunity for advisors to help companies with problematic strategies

<table>
<thead>
<tr>
<th>Type of Investments</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities or Equity Funds</td>
<td>45%</td>
</tr>
<tr>
<td>Bonds or Bond Funds</td>
<td>45%</td>
</tr>
<tr>
<td>Cash or Equivalents</td>
<td>6%</td>
</tr>
<tr>
<td>Balanced Funds</td>
<td>3%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>1%</td>
</tr>
</tbody>
</table>
Cash Balance Investment Videos

Tip #5: Partner with a Cash Balance Specialist

- Cash Balance Plans are highly technical and sophisticated
- Lack of experience can lead to failed IRS testing, lower benefits, missed opportunities
- Complex sale, long sales cycle – need a skilled partner
10 Questions to Ask Your Actuary

The success of a Cash Balance Plan depends on creative plan design along with effective, accurate and timely plan administration. These 10 questions will help you do your due diligence before partnering with a pension actuary.

1. How long have you been doing Cash Balance Plans?
   Working with an actuary who is new to the complexities of Cash Balance Plans may be expensive in the short term, but may be very cost effective in the long term. As with any plan design, research and implementation, Cash Balance Plans are complex and require a team of professionals to design and implement.

2. How many Cash Balance Plans do you currently administer?
   If your company doesn’t handle many plans, they may not have the experience to design and manage your client’s plan successfully.

3. What is the size of the typical plan you handle?
   It is not uncommon for Cash Balance Plans to be large, and therefore, more complex. A larger plan may be more costly to maintain.

4. What are your service standards for plan illustrations and actuarial reports?
   Plan illustrations and actuarial reports are essential for planning and making informed decisions. They should be provided in a timely and accurate manner.

5. How many actuaries do you have on staff?
   Having a dedicated team of actuaries is crucial for the success of any Cash Balance Plan.

6. What do your fees cover?
   Our actuarial fees include all non-actuarial administrative requirements with the exception of PBGC filing fees, which need to be negotiated between the client and the PBGC.

7. Do you offer online participant access with an “Actual Rate of Return” interest crediting rate?
   Cash Balance Plans do offer many different interest crediting rates, which may include actual rates of return, and it is important to consider how these will affect the plan.

8. Do you allow multiple investment options within a plan?
   We offer a wide range of investment options, including managed accounts, mutual funds, and other investment options.

9. What industries do you serve?
   Our firm serves a broad range of industries, including healthcare, education, and government.

10. Who can I call as a reference for the plan on Cash Balance Plans?
    We can provide references upon request. Our clients are happy to share their experiences with others in similar industries.

Here’s How Kravitz Answers!

1. How long have you been doing Cash Balance Plans?
   Kravitz has been working with Cash Balance Plans for over 50 years, and our experience is reflected in the expertise of our team.

2. How many Cash Balance Plans do you currently administer?
   Kravitz currently administers over 100 Cash Balance Plans for clients throughout the U.S., across all industry sectors.

3. What is the size of the typical plan you handle?
   Kravitz manages plans for businesses of all sizes, from small businesses to Fortune 500 companies.

4. What are your service standards for plan illustrations and actuarial reports?
   Kravitz delivers high-quality illustrations and actuarial reports on time, ensuring that our clients have the information they need to make informed decisions.

5. How many actuaries do you have on staff?
   Kravitz has a dedicated team of actuaries, averaging 20 years of Cash Balance experience each.

6. What do your fees cover?
   Our actuarial fees include all non-actuarial administrative requirements with the exception of PBGC filing fees, which need to be negotiated between the client and the PBGC.

7. Do you offer online participant access with an “Actual Rate of Return” interest crediting rate?
   Kravitz offers online participant access with an “Actual Rate of Return” interest crediting rate, allowing participants to see the performance of their plan.

8. Do you allow multiple investment options within a plan?
   Yes, Kravitz offers a wide range of investment options, including managed accounts, mutual funds, and other investment options.

9. What industries do you serve?
   Kravitz serves a broad range of industries, including healthcare, education, and government.

10. Who can I call as a reference for the plan on Cash Balance Plans?
    Kravitz can provide references upon request. Our clients are happy to share their experiences with others in similar industries.
4 Market Trends and Predictions

Key Trends

Key trends impacting today’s Cash Balance plan market:

- **Growing awareness of the new ICR options** - larger plan sponsors are switching to **Actual Rate of Return**
- **Strategic plan termination** takes on a new role, creating opportunities for plan sponsors and advisers
How Actual Rate of Return Works

ICR = Actual rate of return on plan assets

Requirement: assets must be “diversified so as to minimize the volatility of returns.”

Acceptable: a mix of bonds and equities

Unacceptable: assets exclusively in a sector fund

Understanding Actual Rate of Return

Advantage
Minimizes most of the underfunding and overfunding issues

Disadvantages
Impact of volatile returns needs to managed
Preservation of Capital Rule
Key Trend: Strategic Plan Terminations

Definition: when a plan sponsor terminates an existing Cash Balance plan for strategic business reasons, with the express purpose of launching a new Cash Balance plan.

Suitability: mainly for larger and more mature Cash Balance plans, after expert consultation.

Why are Strategic Plan Terminations becoming an increasingly popular business decision?

1. Eliminates liability issues
2. Option to change the plan’s ICR without the hassle of ‘wearaway’
3. Access to assets

Caution: must be done carefully and prudently, with expert actuarial advice, must remain in full compliance with IRS/DOL rules.
Cash Balance 2017 Predictions

1. Prediction: 15%+ Cash Balance growth driven by tax climate, economy, increasing awareness
2. Actual Rate of Return (ARR) replaces fixed rates as most popular option in the large plan market
3. More large firms opt for ‘investment choice’ Cash Balance plans
4. Increasing competition drives rising innovation in CB products & services

Daily Valuation & Participant Technology

- Taking Cash Balance out of the “black box”
- Participant-friendly technology
- 24/7 mobile access
5 How We Can Help You Succeed: Next Steps

Connect with the Kravitz Cash Balance Team:

Partnerships and support for advisers, TPAs and CPAs:
free custom plan designs, conference call support, training, education and more:

877 CB-Plans
CashBalanceDesign.com
### Free Custom Cash Balance Plan Designs

#### Group 1: Owners

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Salary</th>
<th>401(k)</th>
<th>Profit Sharing</th>
<th>Cash Balance</th>
<th>Total Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner 1</td>
<td>60</td>
<td>$270,000</td>
<td>$24,000</td>
<td>$36,000</td>
<td>$0 to $50,000</td>
<td>$110,000</td>
</tr>
<tr>
<td>Owner 2</td>
<td>50</td>
<td>$270,000</td>
<td>$24,000</td>
<td>$36,000</td>
<td>$0 to $50,000</td>
<td>$110,000</td>
</tr>
<tr>
<td>Owner 3</td>
<td>40</td>
<td>$270,000</td>
<td>$18,000</td>
<td>$36,000</td>
<td>$0 to $50,000</td>
<td>$104,000</td>
</tr>
<tr>
<td>Owner 4</td>
<td>35</td>
<td>$270,000</td>
<td>$18,000</td>
<td>$36,000</td>
<td>$0 to $50,000</td>
<td>$104,000</td>
</tr>
</tbody>
</table>

#### Group 2: Staff > $120,000 3% of pay

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Salary</th>
<th>Profit Sharing</th>
<th>Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee 1</td>
<td>50</td>
<td>$165,000</td>
<td>$4,950</td>
<td>$0</td>
</tr>
<tr>
<td>Employee 2</td>
<td>45</td>
<td>$125,000</td>
<td>$3,750</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Group 3: Staff 5% of pay

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Salary</th>
<th>Profit Sharing</th>
<th>Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee 3</td>
<td>65</td>
<td>$80,000</td>
<td>$4,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Employee 20</td>
<td>21</td>
<td>$20,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

**Subtotals**

- Annual Salary: $1,140,000
- Profit Sharing: $42,500
- Cash Balance: $18,000
- Total Contribution: $60,500

**Grand Totals**

- Total Salary: $2,220,000
- Total Profit Sharing: $84,000
- Total Cash Balance: $186,500
- Total Contribution: $218,000
- Subtotals: $488,500

**Percent of Contribution to Owners:** 87.6%
Beyond the 401(k)

Available in all formats at Amazon.com

Free chapter at CashBalanceBook.com

Cash Balance YouTube Channel

www.youtube.com/user/CashBalanceCoach
Kravitz Joins the Ascensus Family

Kravitz an Ascensus® company

KRAVITZ
40th Anniversary
1977-2017
Cash Balance Coach™ Training Program

CashBalanceCoach.com: 1480 alumni and growing!

Fall session dates: Oct 3, 5, 10 & 11

Earn Cash Balance Consultant (CBC) Designation

Kravitz, Inc. and the Cash Balance Coach® Program

Hereby grant

the designation of

Cash Balance Consultant (CBC)

to signify successful completion of the Cash Balance Consultant Certification Program. In witness thereof, this certification is granted this 29th day of February, two thousand and thirteen.

Cash Balance Coach  
Cash Balance Coach

KRAVITZ
Online Resources: CashBalanceDesign.com

Save the Dates: October 3, 5, 10 & 11
Cash Balance Coach™ Training Program

Fall session – live webcasts & on-demand option

Register at CashBalanceCoach.com