



A Powerful, Innovative Solution

With the Flexibility You're Looking For

Many business owners wish they could have the best of both worlds for their retirement plan by combining the promised benefit and tax deduction provided by a defined benefit plan with the portability and flexibility of a defined contribution plan. The solution may be a type of defined benefit plan referred to as a cash balance plan.

Cash Balance Defined Benefit Plans

A cash balance plan is a defined benefit plan that provides a contribution that is typically based upon a percentage of salary, and credits a rate of return on the contribution. It is considered a hybrid plan because it combines the retirement plan contribution limits of a defined benefit plan with account balances that look like a defined contribution plan.

Why Choose a Cash Balance Defined Benefit Plan?

There are many advantages to a cash balance plan, including:

- Availability to equalize contributions for owners with the same compensation, but different ages.
- Account value builds at a steady pace.
- No employee contributions.
- Defines the benefit in terms of a stated "account balance."
- Benefits are easier to understand compared to a traditional defined benefit plan.
- Employee's vested "account balance" is paid at retirement or termination.

Turn to see a sample contribution for a Cash Balance DB Plan >



Lafayette Life
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DESIGN

ADMINISTRATION

FUNDING

Contribution Example: Corporate Business Owner*

- Compensation \$280,000
- Date of Hire 1/1/2010
- Date of Participation: 1/1/2019
- Retirement Ages: 62-65
- 5 Years Participation

Starting Plan	Pay Credits ¹
Age 40	\$101,115
Age 45	\$129,584
Age 50	\$166,142
Age 55	\$213,103
Age 60	\$273,432

¹ Cash balance plans define the benefit in terms of a stated account balance. These accounts are often referred to as "hypothetical accounts" because they do not reflect actual contributions to an account or actual gains and losses allocable to the account. A participant's account is credited each year with a "pay credit" and an "interest credit" rate. Upon a distributable event, the participant is entitled to their vested amount.

* The example shown is hypothetical in nature and used for illustrative purposes only. Values as of 01/01/2019.

Considerations

- Annual contributions are required.
- Employer bears investment risk.
- Investment experience impacts contribution.
- Three-year cliff vesting required.

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The Lafayette Life Insurance Company, Cincinnati, OH, operates in D.C. and all states except NY.



Lafayette Life Insurance Company

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