KRAVITZ

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Companies Double Contributions to Employee Retirement Savings When Adding a Cash Balance Plan

A fast-growing qualified plan option, Cash Balance Plans help overcome the limitations of 401(k)s

(Encino, CA) – Kravitz, the national leader in design and administration of Cash Balance Retirement Plans, today released details of a report revealing that employees typically gain a 100% increase in company contributions to retirement savings when employers adopt a Cash Balance Plan.

According to the Profit Sharing Council of America's 52nd Annual Survey of Profit Sharing and 401(k) Plans, the average company contribution to employees in 401(k) plans is 2.9% of pay. In most cases, employees must contribute twice as much, or 6% of their pre-tax salary, to receive the maximum company contribution.

According to Kravitz, the average non-owner participant in a Cash Balance Plan receives 6% of pay without having to make any contribution themselves. Typically, Cash Balance Plans require employers to contribute 5% to 8% of pay to non-highly compensated employees in order to contribute larger amounts for the owners. *"Cash Balance Plans are a win-win situation with increased contributions to the staff and higher limits for the executives,"* stated Dan Kravitz, President of Kravitz, Inc.

A Cash Balance Plan is a defined benefit plan that specifies the contribution amount for each participant, along with a guaranteed annual interest credit. The Pension Protection Act of 2006 prompted an increasing number of companies to adopt a qualified Cash Balance Plan, allowing for substantial increases in retirement savings and higher tax deductions.

Cash Balance Plans provide many other advantages to employees, including:

- Employees do not have to choose their own investments or bear any investment risk. They receive a guaranteed annual investment credit regardless of market conditions.
- Plan assets are pooled and invested by the plan sponsor using a conservative benchmark, so retirement savings are protected from market fluctuations.
- Accounts are portable and can be rolled over into an IRA when an employee leaves or retires.

- Employer contributions are not based on a "match," so employees do not have to contribute in order to receive the benefits.

"Employers are looking for ways to maximize retirement contributions beyond a 401(k) plan. Cash Balance Plans are an effective way for business owners to increase personal and employee retirement contributions, retain employees, and receive tax deductions," added Dan Kravitz.

The number of Cash Balance Plans nationwide increased 359% over the past six years, according to the Kravitz Cash Balance Research Report released in March. There are now 4,797 Cash Balance Plans nationwide, covering 10.5 million workers, with $777 billion in assets. For more information, call Dan Kravitz at 818-379-6162.

About Kravitz:

Founded in 1977, Kravitz is the largest independent retirement plan consulting firm in California, with over 75 employees, including 10 actuaries. Kravitz designed its first Cash Balance Retirement Plan in 1989 and is recognized as the national leader in Cash Balance design, administration and management. Visit www.CashBalanceDesign.com.