



CASH BALANCE RETIREMENT PLANS BY KRAVITZ

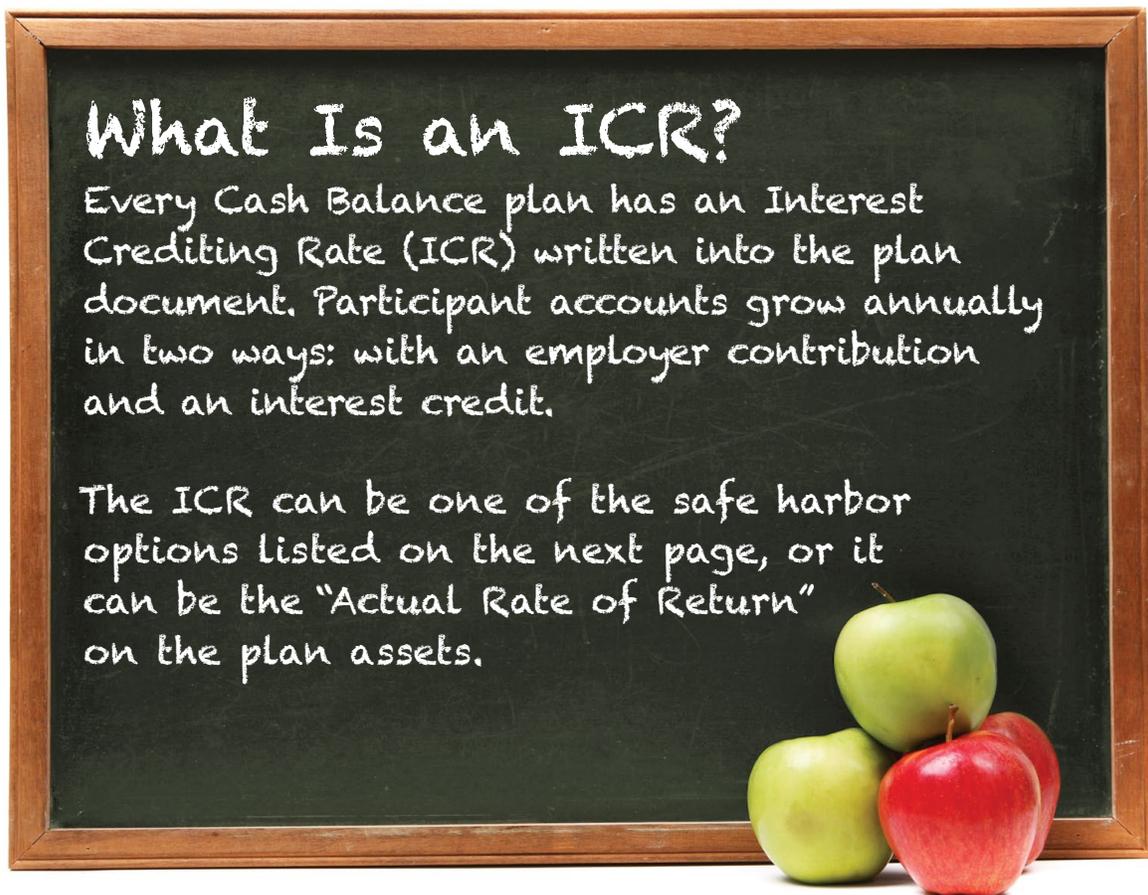
More Options
More Choice
More Freedom



CASH BALANCE PLANS: **Better than ever.**

Cash Balance plans are the fastest-growing sector of the retirement plan market for a very good reason. Think of these plans as a retirement savings accelerator, doubling or tripling your tax-deferred savings power. Now Kravitz has made Cash Balance plans an even better solution by introducing an innovative new option: flexible investment choices within a single company plan.

A custom-designed, tax-efficient retirement plan strengthens your long-term financial security and plays a key role in your firm's ability to attract and retain top talent. Adding a Cash Balance plan is an important step. Enhancing your plan with investment choices takes you a step beyond the competition. This brochure is designed to help you understand the diverse options available and how they can help you and your firm achieve your retirement goals while optimizing tax savings every year. At Kravitz, we are committed to your firm's success, bringing clarity and confidence to all aspects of the retirement plan management process.



Selecting Your ICR

1 Review options with your actuarial consultant

2 Weigh pros and cons based on your plan's goals and objectives

3 ICR choice is written into plan document

4 Work with actuarial consultant and plan advisor to choose investment strategy

New Era, New Options

Thanks to IRS regulations introduced in 2010, plan sponsors can set the ICR to equal the “Actual Rate of Return,” or yield, on plan assets. Rather than striving each year to ensure that investments achieve a targeted interest rate, the actual return itself is the ICR. This option can substantially reduce investment risk and allow for more predictable annual contributions.

Prior to the 2010 regulations, plan sponsors using safe harbor rates faced challenges if the investment returns either fell short or exceeded the targeted ICR. Additional contributions were required in the case of underfunding, and if returns were too high, contributions tended to be lower due to the surplus of assets. In this case, the tax deduction could be lower and contributions were less consistent.

Safe Harbor Options

For many small to mid-size Cash Balance plans, safe harbor rates continue to be an excellent choice. They are easy to communicate to participants and ensure steady growth of retirement savings. Plan assets are invested with the goal of annually achieving the ICR, net of expenses.

Current options include:

- ✓ **30-year Treasury rate:** accounts annually receive a credit equal to the yield on the 30-year U.S. Treasury bond, which has averaged 3% to 4% in recent years.
- ✓ **Fixed rates:** the IRS allows plan sponsors to choose a fixed rate up to 6% as the ICR.
- ✓ **Combined rates:** an annual floor of up to 5% with any safe harbor rate. For example, a plan sponsor could choose an ICR equal to the greater of the 30-year Treasury rate or 5%.

Actual Rate of Return Option

The ICR is defined in the plan document as the actual rate of return on plan assets. Certain guidelines and restrictions apply, for example:

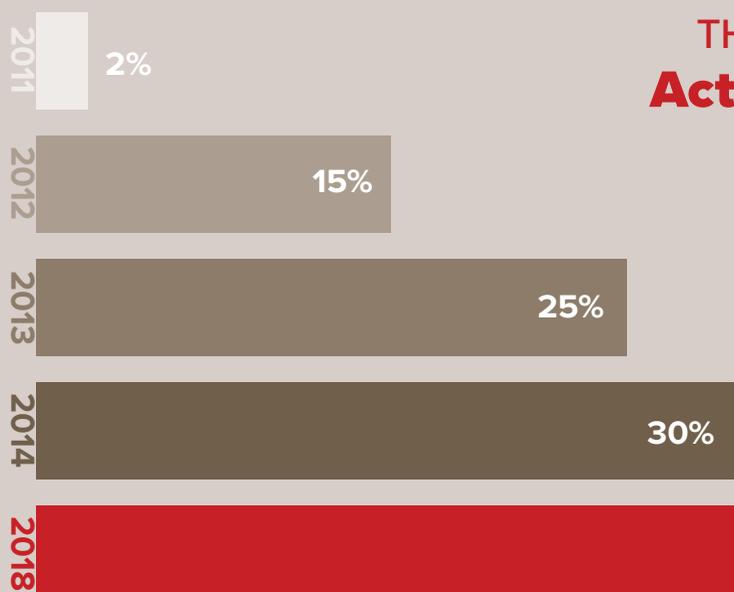
- ✓ The investments must be diversified so as to minimize the volatility of returns, and employer stock must be 10% or less
- ✓ The “preservation of capital rule” applies, so participant payout can never be *less* than the sum of employer contributions





WHAT ARE THE ADVANTAGES OF AN **Actual Rate of Return ICR?**

- ✓ **Substantially reduces year-to-year investment risk**
- ✓ **Removes most underfunding challenges**
- ✓ **Allows for more predictable annual contributions**
- ✓ **Volatility issues can be managed by adding a cap**



THE GROWING POPULARITY OF **Actual Rate of Return ICRs**

In 2018, 40% of Kravitz Cash Balance plan sponsors with large plans (100+ participants) now use an Actual Rate of Return ICR, up from 2% when the regulations were issued. We expect that the new investment choice options will make Actual Rate of Return even more popular.



A KRAVITZ OFFERING:

Multiple Investment Options Within a Single Plan

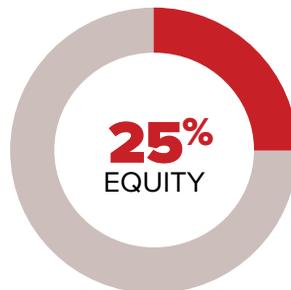
New regulations introduced in 2014 created an exciting new investment approach for plan sponsors. You can now offer multiple investment options within a single plan, tailored to suit different retirement goals and needs.

Case Study: One of our large law firm clients has a customized Cash Balance plan with three investment strategies:



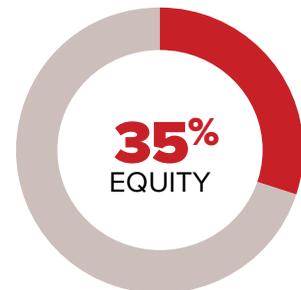
Ultra-Conservative:

Includes longer service participants and those already retired in a portfolio with 15% equities and 85% fixed income.



Conservative:

A portfolio of 25% equities and 75% fixed income, covering mid-career participants and those with lower risk tolerance.



Moderate:

Covering shorter service participants and those with higher risk tolerance in a portfolio with 35% equities and 65% fixed income.

Key Advantages of an Investment Choice Cash Balance Plan:

- Meets diverse participant needs and goals
- Incorporates a range of investment strategies within a single plan
- Enhances flexibility for growing firms with many partners/shareholders
- Improves ability to attract and retain top talent

About Our Firm

Since 1977, Kravitz has brought its clients the latest in design, administration, and management of corporate retirement plans. In 2017, Kravitz became part of FuturePlan by Ascensus, the nation's largest retirement TPA and the leading provider of Cash Balance plans. Together with the FuturePlan network, we serve more than 44,000 retirement plan sponsors from 47 locations across the country. For more information, visit CashBalanceDesign.com and FuturePlan.com.

Why Choose Kravitz for Cash Balance Plans?

Cash Balance plans are sophisticated, complex retirement plans that require specialized actuarial expertise. With significant tax deductions and IRS compliance issues at stake, plan sponsors need an experienced administrator with a record of long-term success.

- ✓ **Length of experience.** We designed and implemented our first Cash Balance plan in 1989 and have successfully implemented thousands more over the past 30 years.
- ✓ **Breadth of experience.** We have Cash Balance clients across all industry sectors, ranging in size from one to over 1,500 plan participants.
- ✓ **Volume of plans.** We currently administer more than 800 Cash Balance plans for clients across the country.
- ✓ **Industry knowledge.** Our Cash Balance clients have included more than 700 law firms and 750 medical groups, including many with complex partnership structures and those going through mergers and acquisitions.
- ✓ **Focus of expertise.** Our primary focus is Cash Balance plans.
- ✓ **National thought leadership.** We are recognized as the nation's leader in Cash Balance plan design, offering the only available certification program, Cash Balance Coach.® We also published a well-received book on the topic and offer frequent webcasts and regulatory updates.
- ✓ **Investment expertise.** We understand the balance between plan design and investment dynamics and work with financial advisors to structure the right investment strategy. Both Actual Rate of Return and traditional safe harbor Interest Crediting Rate (ICR) options are available.

For more information about Cash Balance plans, visit CashBalanceDesign.com or call 877 CB-Plans.

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