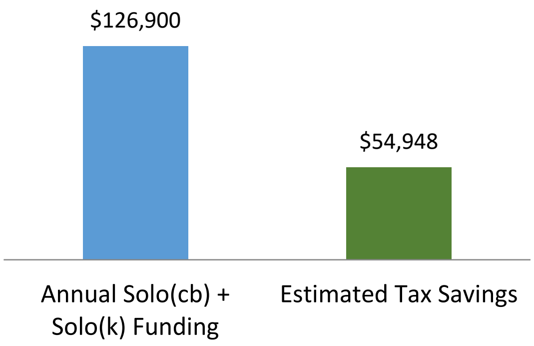
Solo(cb) Case Studies

A Look at a Cash Balance Plan for the Self-Employed

A solo(cb) is a cash balance plan designed specifically for the self-employed individuals. Because solo(cb) is a type of defined benefit plan, it offers access contribution limits which may not otherwise be attainable in another retirement plan, such as a 401(k), SEP or SIMPLE IRA. Let's examine four case studies that demonstrate unique opportunities available with a Solo(cb) plan:*

A Real Estate Agent Maximizes Savings

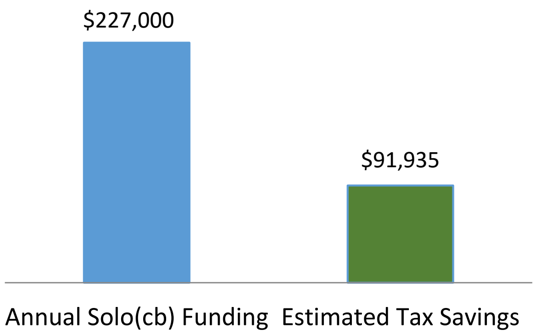
John is a 40-year old commercial real estate agent. He is looking to establish a plan that will allow him to direct a portion of his income to a tax-deferred account for tax-management and retirement savings accumulation purposes. With a Solo(cb) plan, he is able to deposit $90,000 per year for retirement; by adding an owner-only 401(k) plan, Solo(k), he can increase his annual savings further to about $127,000.



Tax Bracket for Top Dollar (Federal, state, Medicare Supp. tax): 43.3%
Annual Solo(cb) + Solo(k) Funding: $126,900
Estimated Tax Savings: $54,948
Estimated cash at age 65 (Cash Balance): $2.9M
Estimated cash at age 65 (Solo(k)): $1.7M

A Retired Executive with Director Fees

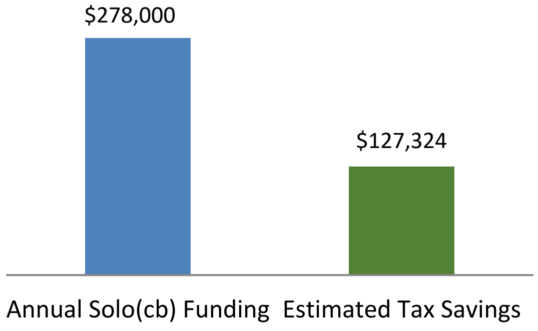
Jackie is a 58-year-old retired executive. She has been serving as an independent director on a number of boards. Her director fees are substantial but she does not need them to supplement her retirement income. Director fees are eligible income to determine and fund a solo(cb) plan which will allow her to move up to $227,000 per year into a tax-deferred environment.



Top tax bracket (Federal, state, Medicare Supp. tax): 40.5%
Annual Solo(cb) Funding: $222,000
Estimated Tax Savings: $91,935
Estimated cash at age 65 (Cash Balance): $1.7M

A Consultant Selling Business

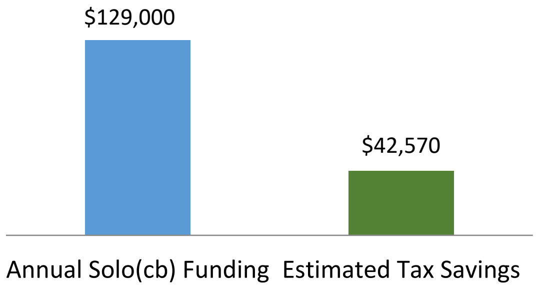
Mike is a 65-year old management consultant who is selling his share of business to his partner. He would like to direct surplus income into a retirement account, but his SEP IRA limits him only to a contribution of $58,000 per year. Because of Mike's age and income history, a Solo (cb) plan can accommodate a contribution up to $278,000 per year. This helps him increase his retirement account balance over the next five years and defer taxation of surplus income he will realize as a result of the business sale as he prepares for future retirement.



Tax Bracket (Federal, state, Medicare Supp. tax): 45.8%
Annual Solo(cb) Funding: $278,000
Estimated Tax Savings: $127,324
Estimated cash at age 69 (Cash Balance): $1.6M

University Professor and Royalty Income

Susan is a 47-year-old university professor who, in addition to her salary, receives a steady stream of royalty income from the books that she has written and periodic fees from a variety of speaking engagements. She is able to direct up to $129,000 of her self-employment income into a Solo(cb) plan.



Tax Bracket (Federal, state, Medicare Supp. tax): 33%
Annual Solo(cb) Funding: $129,000
Estimated Tax Savings: $42,570
Estimated cash at age 65 (Cash Balance): $2.9M

For a successful self-employed individual with surplus income, a solo(cb) may offer substantial advantages, including tax management, and retirement income build-up. Paired up with a solo(k) plan, a solo(cb) can become a powerful engine for retirement accumulation and eventual distributions, combining tax-deferred and tax-free income sources for efficient tax management before and during retirement.

Retirement Plan Solutions consultants are ready to help. Call 844.881.PLAN, send a message to retirementplans@cetera.com, or click here to start a conversation.

* Illustrations assume annual growth of 5% until age 65. For discussion purposes only. Individual results may vary.

NOTE: Individual results will vary based on plan design, census data, earnings history, actuarial calculations, and governing regulations. Because cash balance plan is a type of a defined benefit plan, minimum funding rules apply. Failure to meet minimum funding requirements leads to excise tax until funding requirements are met. The figures quoted are statutory maximums based on compensation as illustrated; lower compensation will result in lower contributions. IRS regulations limit the combined contribution to certain plans. The illustration provided is for informational and educational purposes. It is not intended to provide, and should not be construed as ERISA, tax, investment, legal or financial advice or guidance.

Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty.

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