

CASH BALANCE PLANS AND TAX SAVINGS

Commerce Street Peak Advisors

2022



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COMMERCE STREET HOLDINGS, LLC



Holding company for Commerce Street Capital, LLC and Commerce Street Investment Advisor, LLC



Broker-dealer focusing on:

Mergers & acquisitions, private placements in banks, real estate, oil & gas, and other select industries

#1 Advisory firm to banks in Southwest over the last five years¹

Ranked in the top 10 for national bank merger & acquisition activity over the last four years²



SEC Registered Investment Advisor dba Commerce Street Investment Advisor that provides asset management services in private equity, fund of funds, and separately managed accounts



401(k)/403(b)/457/Cash Balance plan 3(38) Fiduciary and Investment Manager service for retirement plans. A CEFEX certified Investment Advisory, recognized for fiduciary excellence



Commerce Street Investment Advisor, LLC, doing business as Commerce Street Investment Management ("CSIM") and Commerce Street Peak Advisors ("CSPA")

1) S&P Global Market Intelligence, Whole Bank Transactions pending or completed between 1/1/2013 and 12/31/2017 in the Southwest region as defined by S&P.
2) SNL Financial by number of deals (1/1/2013 and 12/31/2017)

WHAT IS A CASH BALANCE PLAN?

Cash Balance Plan

A qualified plan under ERISA, Cash Balance Plans “qualify” for tax deferral and creditor protection

What is it?

- A Cash Balance Plan is a more robust profit-sharing plan, allowing up to a \$2.9 million lifetime benefit
- Plan Design, Contributions and Testing are integrated with those of your defined contribution plan
- Cash Balance Plans do NOT work in conjunction with SIMPLE or SEP Plans
- If you've adopted a SIMPLE or SEP plan and would like to establish a Cash Balance plan, consider moving away from these plan types for 2022

WHO IS A GREAT FIT?

Who's it for?

Partners or Owners who are 50 and over desire to contribute more than \$67,500 into their retirement accounts for 2022 or \$61,000 if they are under 50 years of age.

Ideal Company Attributes:

- Relatively consistent revenue year-to-year with limited debt
- Willing to give generous contributions to employees that meet eligibility criteria
- Willing to commit to a cash balance plan for at least 3 years

Ideal Employee Demographics:

- Older Partners with a younger staff
- Partners earn high-and-consistent **Earned Income****
- Generally, less than 10 support staff per Partner
- Family members (spouses, etc.) &/or associate attorneys making \$135,000+

Any or all of these would help the “fairness testing” making plan more efficient

CASH BALANCE SOLUTION

DC PLAN WITH CASH BALANCE ILLUSTRATION

ABC LAW FIRM

2019-2

401(k) + SH 3% + Profit Sharing + Cash Balance plan

	Annual Comp	401(k) Profit Sharing				Cash Balance Pension				Total Plan Benefit
		401(k) Deferral	(as a %)	Safe Harbor non-elective	(as a %)	Required Profit Sharing / Top Heavy	(as a %)	Cash Balance plan	(as a %)	
OWNERS										
OWNER 1	\$ 280,000.00	\$ 25,000.00	6.61%	\$ -	0.00%	\$ 37,000.00	13.21%	\$ 188,000.00	67.14%	\$ 250,000.00
OWNER 2	\$ 280,000.00	\$ 25,000.00	8.93%	\$ -	0.00%	\$ 37,000.00	13.21%	\$ 188,000.00	67.14%	\$ 250,000.00
HCE Total	\$ 560,000.00	\$ 50,000.00		\$ -		\$ 74,000.00		\$ 376,000.00		\$ 500,000.00
HCE NON-PARTNERS										
LAWYER 1	\$ 147,500.00	\$ 19,000.00	12.88%	\$ -	0.00%	\$ 4,425.00	3.00%	\$ -	0.00%	\$ 23,425.00
LAWYER 2	\$ 130,000.00	\$ 19,000.00	14.62%	\$ -	0.00%	\$ 3,900.00	3.00%	\$ -	0.00%	\$ 22,900.00
LAWYER 3	\$ 197,500.00	\$ 19,000.00	9.62%	\$ -	0.00%	\$ 5,925.00	3.00%	\$ -	0.00%	\$ 24,925.00
LAWYER 4	\$ 132,708.00	\$ 19,000.00	14.32%	\$ -	0.00%	\$ 3,981.24	3.00%	\$ -	0.00%	\$ 22,981.24
HCE Total	\$ 607,708.00	\$ 76,000.00		\$ -		\$ 18,231.24		\$ -		\$ 94,231.24
STAFF										
STAFF 1	\$ 45,855.00	\$ -	0.00%	\$ 1,375.65	3.00%	\$ 1,719.56	3.75%	\$ 917.10	2.00%	\$ 4,012.31
STAFF 2	\$ 42,716.00	\$ -	0.00%	\$ 1,281.48	3.00%	\$ 1,601.85	3.75%	\$ 854.32	2.00%	\$ 3,737.65
STAFF 3	\$ 92,000.00	\$ -	0.00%	\$ 2,760.00	3.00%	\$ 3,450.00	3.75%	\$ 1,840.00	2.00%	\$ 8,050.00
STAFF 4	\$ 34,339.00	\$ -	0.00%	\$ 1,030.17	3.00%	\$ 1,287.71	3.75%	\$ 686.78	2.00%	\$ 3,004.66
STAFF 5	\$ 54,064.00	\$ -	0.00%	\$ 1,621.92	3.00%	\$ 2,027.40	3.75%	\$ 1,081.28	2.00%	\$ 4,730.60
non-HCE Total	\$ 268,974.00	\$ -		\$ 8,069.22		\$ 10,086.53		\$ 5,379.48		\$ 23,535.23
EMPLOYEE TOTAL	\$ 1,436,682.00	\$ 126,000.00		\$ 8,069.22		\$ 102,317.77		\$ 381,379.48		\$ 617,766.47

Employer Contributions		As a %
Owners	\$ 500,000.00	92.29%
HCE non-owners	\$ 18,231.24	3.37%
Staff	\$ 23,535.23	4.34%
	\$ 541,766.47	100.00%

Give:	\$ 41,766.47
Get:	\$ 500,000.00
At 37% tax rate:	\$ 200,453.59
Medicare 2.9%:	\$ 15,711.23
Total Savings:	\$ 216,164.82

YOU STILL HAVE TIME FOR 2022

TIMING IS IMPORTANT

- There is still time for 2022 but you must act fast if you're interested in establishing a Cash Balance Plan

PROVIDE PLAN INFORMATION

- Plan demographic Information
- Current defined contribution plan Adoption Agreement
- Plan Sponsor 408(b)2 fee disclosure

WHY ADOPT A CASH BALANCE PLAN?

TURBO-CHARGE YOUR
RETIREMENT SAVINGS

MAXIMIZE TAX DEFERRAL
OPPORTUNITIES

QUALIFIED PLAN
PROTECTED UNDER ERISA

\$2.8 MILLION
MAX LIFETIME BENEFIT

EASY, LOW-COST
SOLUTION

ALL ASSETS ARE
CREDITOR PROTECTED

Get the CSPA 401(k) Cash Balance ADVANTAGE

Call: Greg Mykytyn (214) 497-6316

Email: gmykytyn@cstreetpeak.com

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