



Excellence in Plan Design & Administration

## TPA Services: When Maximizing Your Retirement Plan is NOT Maximizing Your Retirement Savings

**Kelton Collopy, QKA**  
**VP, Third Party Administrative Services**

**Linda Visconti, QKA**  
**Retirement Plan Administrator**

As an Advisor, your goal is to help your clients maximize their retirement plan savings. Did you know that even with the best Profit Sharing Plan, you can help your client save even more for retirement by adding a Cash Balance Plan? In the past year, we've been able to help our Advisor partners win new Profit Sharing Plans and add Cash Balance Plans for their existing clients. By presenting data using the current workplace demographics, we can help you show your clients the advantages of adding a Cash Balance Plan to maximize their savings for themselves, as well as for their workforce. We focus on improving the overall retirement program by providing options that may not have been previously presented or even considered by the Plan Sponsor.

Most Advisors have heard of these plans but are not familiar with the details or when they are appropriate for a sponsor to consider. We can help you introduce a Cash Balance Plan to the conversation by providing actuarial analysis of their potential plan design. The addition of a Cash Balance Plan to an existing Profit Sharing Plan can result in a substantial increase in the amount a Plan Sponsor can contribute. For your prospective clients, the resulting Cash Balance/Profit Sharing combination plans can provide a win for both you as the Advisor and for Tycor as the TPA.

Here are the results of one recent study we completed:

Classification	Profit Sharing	With Cash Balance and 401(k) Plan	Increase	% of Increased Total
<b>Owners Total</b>	\$140,000	\$ 365,600	<b>\$225,600</b>	<b>97.19%</b>
<b>Staff Total</b>	\$6,825	\$ 13,342	<b>\$6,517</b>	<b>2.81%</b>

Here's the details behind these results:

### 2018 Final Allocation from Prior TPA – Profit Sharing-Only Plan with New Comparability Allocation

Employee	Eligible Compensation	Profit Sharing	% of Pay	% of Total
Owner	\$ 275,000	\$ 55,000	20.00%	37.46%
Owner	\$ 275,000	\$ 55,000	20.00%	37.46%
Owner Son	\$ 100,000	\$ 5,000	5.00%	3.41%
Owner Dad	\$ 60,000	\$ 25,000	41.67%	17.03%
<b>Family Total</b>		<b>\$ 140,000</b>		<b>95.35%</b>
Staff	\$ 57,500	\$ 2,875	5.00%	1.96%
Staff	\$ 42,500	\$ 2,125	5.00%	1.45%
Staff	\$ 20,000	\$ 1,000	5.00%	0.68%
Staff	\$ 16,500	\$ 825	5.00%	0.56%
<b>Staff Total</b>		<b>\$ 6,825</b>		<b>4.65%</b>

*Continued >>*



Excellence in Plan Design & Administration

As you can see, these are great results: 95% of the contribution goes to the family, and the staff is happy with a 5% contribution. With results like this it may seem that there is no reason to try and improve upon something that is working so well. This plan is offering the maximum savings available (for a Defined Contribution Plan) with very efficient results for the business owner and family. An Advisor partner challenged us to provide something more.

Here's what was presented:

## 2019 Proposal – Cash Balance Combo with 401(k) and New Comparability Profit Sharing

Employee Name	Eligible Compensation	Deferrals	Profit Sharing and Safe Harbor	Cash Balance	Total Contributions	% of Pay	% of Total
Owner	\$280,000	\$25,000	\$ -	\$130,000	\$155,000	55.36%	40.90%
Owner	\$280,000	\$25,000	\$ -	\$130,000	\$155,000	55.36%	40.90%
Owner Son	\$100,000	\$19,000	\$ 5,000	\$ 2,250	\$26,250	26.25%	6.93%
Owner Dad	\$ 60,000	\$25,000	\$ 3,000	\$ 1,350	\$29,350	48.92%	7.75%
<b>Family Total</b>					<b>\$365,600</b>		<b>96.48%</b>
Staff	\$ 16,500	\$ -	\$ 825	\$ 371	\$ 1,196	7.25%	0.32%
Staff	\$ 42,500	\$ -	\$ 2,125	\$ 956	\$ 3,081	7.25%	0.81%
Staff	\$ 57,500	\$ -	\$ 2,875	\$ 1,294	\$ 4,169	7.25%	1.10%
Staff	\$ 20,000	\$ -	\$ 1,000	\$ 450	\$ 1,450	7.25%	0.38%
Staff	\$ 16,500	\$ -	\$ 825	\$ 371	\$ 1,196	7.25%	0.32%
Staff	\$ 45,000	\$ -	\$ 2,250	\$ -	\$ 2,250	5.00%	0.59%
<b>Staff Total</b>					<b>\$ 13,342</b>		<b>3.52%</b>

### What can be learned from this example?

With the addition of the Cash Balance Plan, we were able to show how this family could increase their retirement savings by more than \$225,000, from \$140,000 to \$365,600, while providing just over \$6,825 in additional benefits to staff. The percentage of dollars flowing to the family increased to almost 97%. It is important to note that even with two new staff added in 2018, the efficiency of the allocation improved.

As you can imagine, both the plan sponsor and their accountant were very impressed with the above suggestion along with the additional tax savings. The Advisor has received notice that he won the existing Profit Sharing Plan and that we will be implementing a new Cash Balance Plan as well.

**This is just one example of how Tycor can help you win more business. Let's work together to improve upon your current client's results and add new business.**

**Contact us at 610-251-0670 and let us show you how.**

[www.tycorplan.com](http://www.tycorplan.com)