

How to Reduce the Pain of Recent Tax Hikes



ADVANTAGES OF CASH BALANCE RETIREMENT PLANS

Tax deductions are hard to come by, especially those that directly reduce ordinary income dollar for dollar. With many federal, state and local tax increases in place, **Cash Balance Plans** now have a greater impact than ever, reducing your tax burden and accelerating retirement savings.

New Tax Increase Thresholds (married, filing jointly)	Taxable income	\$450,000	Top marginal rate increases to 39.6%
	Adjusted gross income (AGI)	\$300,000	Phase-out of itemized deductions
	Adjusted gross income (AGI)	\$250,000	3.8% Medicare tax on investment income 0.9% Medicare surtax (additional payroll tax)

Cash Balance contributions reduce both taxable income AND adjusted gross income (AGI), helping you avoid the new tax thresholds and minimize the impact of new tax hikes.

“Because pension contributions reduce AGI, they are considered ‘above the line’ deductions, which to us accountants, is the best kind of deduction there is.” – Dan Delaney, CPA

Examples of Tax Savings

Business Owner, 55, married



AGI: \$400,000, including investment income of \$50,000

No Cash Balance Plan:
Subject to phase-outs and additional Medicare taxes

Cash Balance Plan:
A contribution of \$150,000 reduces AGI to **\$250,000** and NO income or investment tax increases

Federal tax savings:* **\$52,000**

Medical Group Partner, 60, married



AGI: \$600,000, including investment income of \$50,000

No Cash Balance Plan:
Subject to phase-outs and additional Medicare taxes

Cash Balance Plan:
A contribution of \$200,000 reduces AGI to **\$400,000** and minimizes tax increases

Federal tax savings:* **\$77,100**