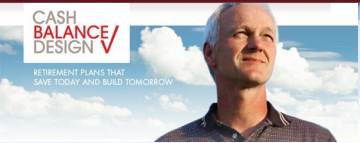


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Cash Balance Outlook 2011



CASH BALANCE DESIGN
RETIREMENT PLANS THAT SAVE TODAY AND BUILD TOMORROW

June 9, 2011
Dan Kravitz, President, Kravitz Inc.
Martha Ophir, Marketing Specialist

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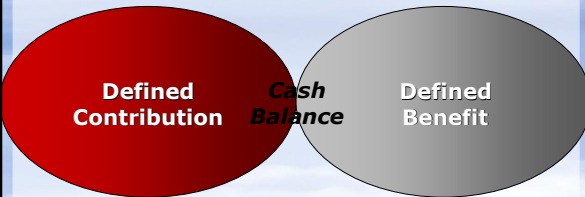
Agenda

1. 2011 Cash Balance Research Report Highlights
2. What's Driving Growth?
3. Cash Balance & Small Business
4. How to Take Advantage of Growth Trends
5. What's Ahead? Cash Balance 2012

2

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Cash Balance Overview




Defined Contribution **Cash Balance** **Defined Benefit**

401(k) Profit Sharing *Hybrid* *Traditional*

3

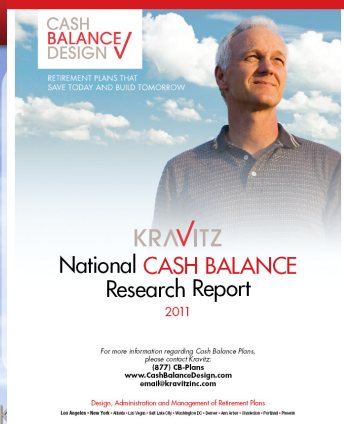
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Cash Balance Accounts



- Participants have accounts
- Accounts grow in 2 ways:
 1. Employer Contribution
 2. Interest Crediting Rate (ICR)
- Accounts are portable

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Data Analysis:

- Form 5500 filings 2001- 2009
- DOL - EBSA data

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National CASH BALANCE
Research Report
2011

For more information regarding Cash Balance Plans, please contact Kravitz at 877-CB-Plans or www.CashBalanceDesign.com or email info@kravitzinc.com

Design: Administrative and Management of Retirement Plans
Los Angeles - New York - Austin - Los Angeles - Dallas - Washington DC - Denver - Jacksonville - Charlotte - Portland - Phoenix

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Surprises!



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Dramatically Outpacing 401(k) Growth

Cash Balance: **401(k):**



20%



3%

Average annual growth in new plans, 2001-2009

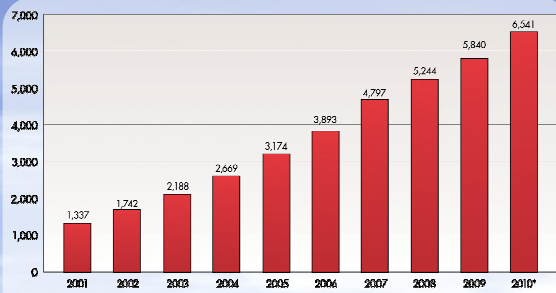
Recession Did **Not** Slow CB Growth

Strong Cash Balance growth in 2009 despite stalled economy



11%

Cash Balance Growth: 2001-2010



Strong National Growth Trends

Rank	State	Number of Plans	Percent of Nation's Total	Percent Increase
1 (1)*	CA	741	13%	12%
2 (2)	NY	626	11%	13%
3 (3)	OH	436	7%	14%
4 (5)	IL	402	7%	27%
5 (4)	NJ	392	7%	24%
6 (8)	TX	293	5%	47%
7 (6)	PA	276	5%	7%
8 (7)	FL	240	4%	11%
9 (9)	MI	230	4%	33%
10 (10)	MN	172	3%	4%

* Previous Rank

National Total 5,840

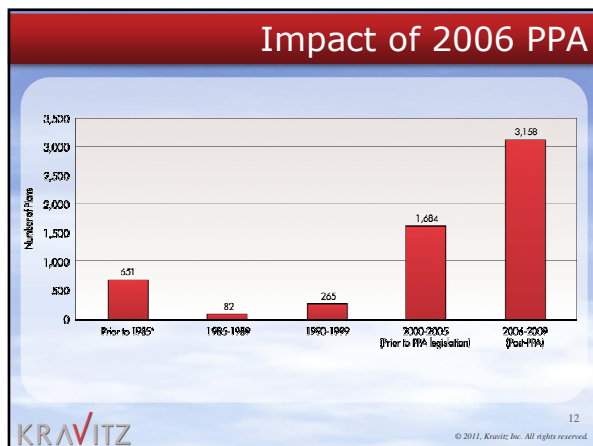
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Growth Driver #1: PPA 2006

- Official IRS approval
- Added clarity & simplified administration



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Growth Driver #2: Decline of DB

Workforce.com News in Brief

Report Highlights Continued Decline in Defined Benefit Plans

Plan executors "are starting to realize that it's not the plan design that drives (pension plan funding) volatility," but the dollar-for-dollar risk-taking behavior that results in mismanagement of assets to liabilities, according to a recent Mercer study.

February 14, 2011

Business Insurance Because risk can come from any place.

Defined benefit plans still in decline: Survey

Posted On May 22, 2008 9:39 AM (CENTRAL) | Add a comment | Reprints | Print

The nation's largest pension plans continue to move away from defined benefit pension plans in favor of 401(k)

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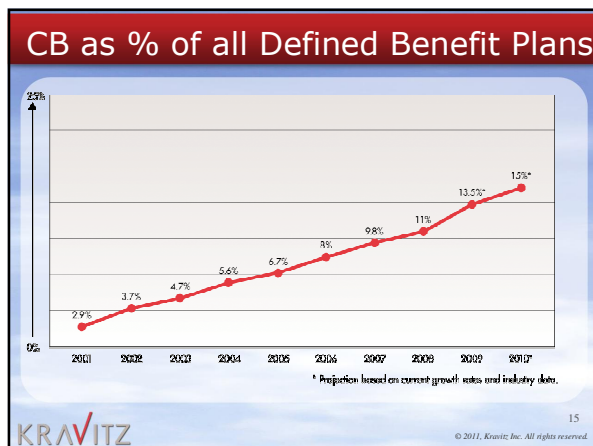
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Why the Decline?

- Interest rate risk issues
- Volatile costs
- Difficult for participants to understand
- Uneven contributions to employees
- Portability issues
- Funding issues

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Growth Driver #3: Tax Environment

YAHOO! NEWS

U.S. Deficit: Higher Taxes Needed to Cut Rising Debt

By ERIC NEURICH - Wall Street Journal

Never mind about mortgaging the future. By running up a monster deficit as it struggles to keep the economy growing, the Obama Administration is setting the stage for sharply higher taxes down the road.

Of course, it's not an absolute certainty. The easier option is even more quantitative easing - a euphemism for printing money, which is a dirty phrase economists never like to use. This would devalue the country's currency and sovereign debt, triggering a cycle of hyperinflation of the likes the U.S. has never seen.

Hiking taxes is the less traumatic course, though it will only be accepted as the cost of inaction rises. "Congress only responds to financial crisis or some other external shock," says Bill Gale, co-director of the Tax Policy Center in Washington, D.C. "Nothing will be done in Obama's first term to substantially increase tax revenue." (See the top 10 bankruptcies)

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Growth Driver #4: Retiring Boomers

Schedule: February 16, 2011 | 10:00 AM EST | 30 MIN

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TOP STORIES IN PERSONAL FINANCE

Boomers Find 401(k) Plans Fall Short

How to Boost Your Investment Income

Picking Mutual Funds

Retirement Planning | FEBRUARY 16, 2011

Article | Comments

By E.S. BROWNING

The 401(k) generation is beginning to retire, and it isn't a pretty sight. The retirement savings plans that many baby boomers thought would see them through old age are falling short in many cases.

The median household headed by a person aged 60 to 62 with a 401(k) account has less than one-quarter of what is needed in that account to maintain its standard of living in retirement, according to data compiled by the Federal Reserve and analyzed by the Center for Retirement Research at Boston College for The Wall Street Journal. Even counting Social Security and any pensions or other savings, most 401(k) participants appear to have insufficient savings. Data from other sources also show big gaps between savings and what people need, and the financial

Are you Vanguard your retirement?

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Fastest Way to "Catch up"

2011 Contribution Limits

Age	401(k) with		TOTAL
	Profit Sharing	Cash Balance	
60 - 65	\$54,500	\$210,000	\$264,500
55 - 59	\$54,500	\$167,000	\$221,500
50 - 54	\$54,500	\$128,000	\$182,500
45 - 49	\$49,000	\$97,000	\$146,000
40 - 44	\$49,000	\$74,000	\$123,000
35 - 39	\$49,000	\$57,000	\$106,000
30 - 34	\$49,000	\$43,000	\$92,000

Cash Balance lifetime limit: \$2,500,000

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Summary: A Perfect Storm

Taxes

Catch Up on Savings

Law Changes

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Taking Advantage of CB Growth

You have the basic knowledge, now what?

Here are 5 tips to get started...

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#1: Look for Ideal Candidates:

Cash Balance is not a fit for everyone

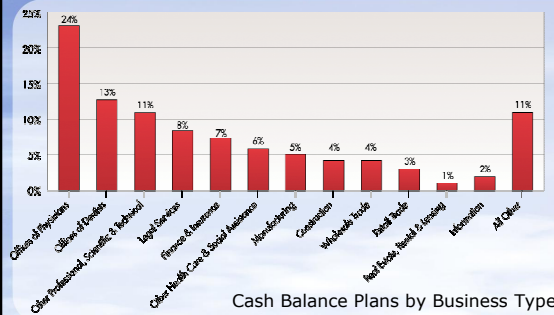
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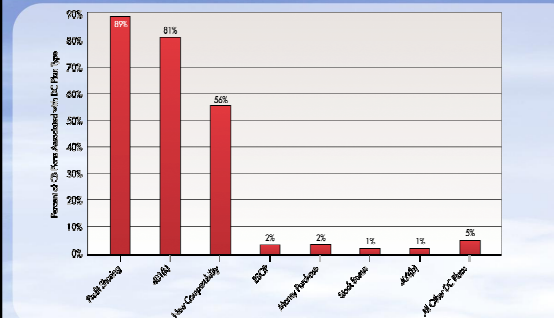
Who is Ideal?

1. Business owners with income >\$250,000 and consistent profit patterns
2. Boomers who need to squeeze 20 years of retirement into the next 10 years
3. Businesses with a New Comparability plan
4. Professional services firms, including medical groups, CPAs, law firms and financial services
5. Successful family businesses and closely held businesses

Growth in Diverse Business Sectors



#2: Understand Plan Combinations

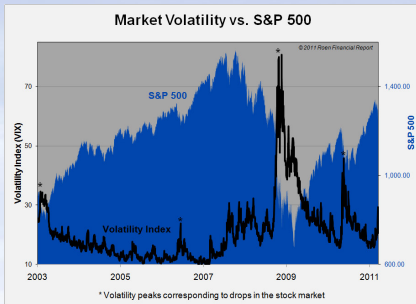


#3: Reach Out to Tax Advisors & CPAs

Most CPAs are unaware of Cash Balance Plans and are thrilled to find a major new deduction/deferral option for clients.



#4: Sell the 'Safe Money' Story

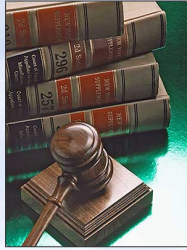


#5: Partner with a CB Specialist

- Cash Balance Plans are highly technical and sophisticated
- Lack of experience can lead to failed IRS testing, lower benefits, missed opportunities



New CB Rules: October 19, 2010



Final Regulations

- ✓ Effective immediately

Newly Proposed Regulations

- ✓ Effective January 1, 2012
- ✓ Can rely on them now

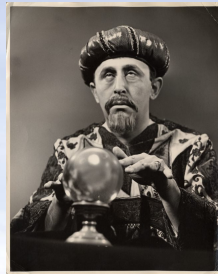
Impact on Cash Balance Growth



- ✓ IRS thumbs up for Cash Balance Plans
- ✓ More ICR options
- ✓ Some funding issues minimized
- ✓ High awareness

Predictions

1. Continued strong growth supported by New Regs & IRS endorsement
2. Rising public awareness will drive demand
3. New competitive CB product offerings will change the game! *For example...*



Daily Valuation Will Revolutionize CB!

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People Want to See Their Money

Source	YTD Contributions	Balance	Vested Balance	Vested Percent
Cash Balance Account	\$179,985.00	\$473,501.99	\$473,501.99	100.00%
Total		\$473,501.99	\$473,501.99	

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Coming Soon?

Multiple ICRs Within a Plan

- ✓ Participant Direction
- ✓ Target Date Funds
- ✓ Not yet available but under IRS consideration



How Can We Help?

Learn more about Cash Balance Plans and our Research Report:

(877) CB-Plans

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About Kravitz

KRAVITZ

- ✓ Design and administer retirement plans for 1,200+ clients nationwide
- ✓ Founded October 15, 1977
- ✓ National leader in Cash Balance Plans since 1989; founded Cash Balance Coach®
- ✓ Los Angeles & New York + 7 satellite offices

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Beyond the 401(k)

How Financial Advisors Can Grow Their Businesses with Cash Balance Plans

BEYOND THE 401(k)

Amazon.com

CashBalanceBook.com

"A valuable tool for advisors... this book explains and illustrates... in an organized and technically correct..." - Fred Beck

DANIEL KRAVITZ,
KEN GUIDROZ
& STEVEN SANSONE

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