



Top 5 Selling Tips: *How to Close the Cash Balance Sale*

We asked the 25 top producers in our advisor/TPA network for their best advice on closing Cash Balance sales. Here are their top tips:

#1 Lead with taxes (“Are you looking for a large above-the-line tax deduction?”)

Anxiety about rising tax rates is a major motivator for business owners and high income professionals. Tax liabilities are the biggest expense after payroll for many companies. Cash Balance plans provide the greatest possible benefit: an above-the-line reduction of Adjusted Gross Income that can result in tax savings of \$100,000 or more.

#2 Take advantage of a Kravitz conference call for you and your prospect.

Experience shows that Cash Balance plans are 70% more likely to sell after a Kravitz sales team member participates in a conference call with the advisor and prospect. Having sold thousands of Cash Balance plans in the past 25 years, we can easily anticipate and counter common objections, fine-tune the plan design on the fly, answer complex questions, and strengthen your overall selling position. We know how to position you for success.

#3 Develop a champion and limit the size of your sales audience.

In companies with multiple partners/owners, it can be difficult to sell the Cash Balance concept to everyone at once. Instead, identify a “champion” within the company – the executive you need to convince, who can then sell it to his/her partners. Early meetings should be limited to a small group, including the managing partner or director who can answer your key questions.

#4 Involve the CPA or tax advisor early on, and get them to think it was their idea.

Potential Cash Balance sales have been lost when a firm’s CPA feels left out of the process, and those unfamiliar with Cash Balance may be skeptical. The solution is to invite their participation early on, demonstrating the benefits with supporting materials and articles. The tax savings are so significant that most CPAs will end up eagerly recommending the plan.

#5 Remind the prospect, “Cash Balance is your safe money.”

The conservative nature of the Cash Balance plan investments can be a great selling point, offering predictable retirement income and protection against market volatility. The assets are protected from creditors and the risk is lower than a traditional defined benefit plan. The “safe money” discussion opens a door for you to talk with clients about risk and long-term objectives, including their after-tax money and profit sharing investments.

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UNDERSTANDING YOUR **CASH BALANCE** ILLUSTRATION

Your first step toward a successful Cash Balance sale is understanding the plan design. We recommend a debrief call with your Kravitz sales partner who will explain all the options and variables, highlighting key features to share with your prospect. We have also compiled this FAQ to assist you:

How are employer contributions calculated?

Each Kravitz Cash Balance plan is custom designed to maximize tax-deferred contributions for the owners/partners, while providing staff with a required contribution to satisfy IRS testing. Typically, that means a profit sharing contribution of 5 - 7.5% of pay for staff.

What if the company is already making 3% safe-harbor contributions?

The employer's current 3% of pay safe harbor non-elective contribution counts towards satisfying the staff profit sharing amount shown on the illustration. However, employer 401(k) matching contributions cannot be used towards satisfying this requirement.

Does everyone have to participate in the plan?

No. Participation levels are very flexible when a Cash Balance plan is first set up, one of the many appealing features of these plans. The IRS minimum participation requirement is the lesser of: (a) 40% of eligible employees or (b) 50 total employees. In most cases, highly compensated employees can be "carved out" and owners/partners can opt-out or have very different contribution levels. These are among the many reasons why Cash Balance plans are in such high demand at professional services firms.

How are the 401(k) contributions calculated?

Our plan designs assume that the maximum 401(k) amount can be contributed by the owners/partners. We also assume that the plan either passes the 401(k) ADP Test or that the 401(k) plan provides a 3% of pay safe harbor contribution.

Can the Cash Balance contribution amounts change?

Yes, with certain restrictions. Typically, contributions to owners/partners are written into the plan document as "the lesser of \$Y or X% of compensation," so if compensation drops, the required contribution amount drops as well. Cash Balance plans can also be amended to change the annual contribution levels (we suggest no more than once every 3 years). A Cash Balance plan can be frozen or terminated, but benefits must be funded for the current year if any employee has already worked 1,000 hours. Your Kravitz sales partner can help you anticipate client questions about determining contribution levels, and will explain the various issues and restrictions involved in amending the plan.

Does this plan design make financial sense for the employer?

If the "Percent to Owners" shown on the plan illustration exceeds 75%, then the tax savings likely outweigh the cost of implementing and maintaining the plan.

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Cash Balance Sales Process



1

Advisor submits a census.



2

Kravitz creates custom plan design within 3 days.



3

Debrief: advisor conference call with Kravitz, review plan design options and selling points.



6

Kravitz redesigns plan based on prospect feedback.



5

Conference call with Kravitz, advisor and prospect. We help counter objections and support winning the business.



4

Advisor presents and discusses plan design with prospect.



7

Second prospect meeting to refine design, if needed.



8

Service Agreement prepared and signed.



9

Welcome Call with Kravitz consultant, advisor and client for seamless onboarding.



10

Plan documents prepared and signed

Kravitz consultant provides white glove service going forward.



Why Choose Kravitz?

Cash Balance Plans are sophisticated and complex retirement plans that require a superior level of actuarial expertise. With major tax deductions and IRS compliance issues at stake, it is important to choose an experienced Cash Balance specialist with a record of long-term success.

Kravitz clients enjoy:

Minimized Risk and Maximum Benefits.

With more than two decades of Cash Balance experience, we know how to design and administer plans that minimize potential problems and maximize savings. We serve over 300 Cash Balance Plans across the country.

Actuarial Excellence from the National Cash Balance Leader.

Ten staff actuaries and many other team members pursuing actuarial designation provide Kravitz with a unique roster of skill and expertise. Widely recognized as the national Cash Balance leader, we recently published *Beyond the 401(k)*, a highly praised guide to Cash Balance Plans.

Personal Service by Dedicated Client Consultants.

Every client has a Kravitz consultant as a single point of contact, working to ensure that all concerns are addressed and that the plan meets the firm's objectives.

Individually Designed Plans, by Law.

Every Cash Balance Plan is individually designed and approved by the IRS with its own Favorable Determination Letter.

Cash Balance Investment Expertise.

We understand the balance between plan design and investment dynamics. We work with your financial advisors to structure the right investment strategy.

Education and Support for Effective Plan Administration.

We offer free Cash Balance Administration workshops and personal support by phone. More than 400 retirement professionals have completed the Kravitz Cash Balance Coach® program to learn how these complex plans work. Kravitz principals are frequent speakers at national conferences.

About our firm:

Kravitz is the largest independent firm of retirement plan consultants headquartered in California, with offices in New York, Atlanta, Washington D.C., Salt Lake City, Denver, Ann Arbor, Charleston and Las Vegas. Since 1977, Kravitz has brought its clients the latest in the design and administration of corporate retirement plans. We serve more than 1,200 clients across all industry sectors.

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