



# CASE STUDY

## Reducing Private Equity Partner Taxes While Accelerating Savings Bryson Financial Delivers Creative Retirement Solution to Private Equity Firm

**Client:** Seven person Private Equity firm with four partners and three employees.

**Scenario:** With revenues and the subsequent tax bill growing, the partners were looking to substantially decrease taxes while accelerating retirement savings.

- **Discovery:** The Bryson Financial reviewed the Private Equity firm's current 401(k) plan and found the partners were getting hit with significant income tax and were starting to fall short of their retirement goals.
- **Solution:** Bryson Financial explored all options and ultimately executed a Cash Balance Plan which allows for rapid retirement funding based on age, years of service, and salary. While working within IRS limits, the plan is designed to benefit partners by directing roughly 95% of the annual contributions towards their own retirement accounts.
- **The Net Effect**
  - Each partner was now able to contribute \$329,000 annually on a tax-deferred basis for the next 5 years. At a roughly 40% tax rate, they each saved over \$130,000 annually on taxes. Over 5 years, this amounts to nearly \$660,000 in tax savings.
  - The partners were able to accelerate their retirement funding and can now comfortably hit their individual targets. Per IRS regulations, they may be entitled to accumulate up to \$2.735 million at retirement in the Cash Balance Plan alone. This will provide estimated income of over \$135,000 per year in retirement.
  - While approximately 95% of the benefits are allocated to the partners, the employees benefit from the continued goodwill of contributions to their retirement accounts as well. Having such a plan in place also becomes leverage in attracting and retaining staff.

- **Right for You?:** Let Bryson Financial review your situation and consider the best options for your objectives. With various designs available, a Cash Balance Plan is often the perfect strategy for the structure of the successful Private Equity firm.