SATURNA TRUST COMPANY

CASH BALANCE PLANS

Table of Contents

Lower your taxes.

Maximize your savings.

Cash Balance Plans

Cash Balance Plans are IRS-qualified defined benefit pension plans that can help business owners and highly compensated employees accelerate their retirement savings.

Cash Balance Plans can allow contributions up to nearly four times the limit of a 401(k), depending on the business owner's age. Used in conjunction with a 401(k) plan, business owners can maximize personal contributions while lowering their tax burden. Contributions on behalf of both owners and employees are tax-deductible for the business.

Key benefits of Cash Balance Plans:

- Typically higher contribution limits than 401(k) plans or SEPs
- Tax-deductible for the business/partnership
- Can be used along with other types of plans (such as 401(k)s and profit sharing plans)
- Rate of return is set in advance and guaranteed by the business, providing a benefit with market rates of returns to participants

While Cash Balance Plans are not right for every company, they can offer benefits other types of retirement accounts cannot. They can be a good retirement savings vehicle for owners of successful businesses with steady revenues.

Saturna Trust Cash Balance Plans: Maximize Your Retirement Savings.

How Cash Balance Plans Work

Cash Balance Plans are defined benefit plans, meaning that the participant's cash benefit payable from the plan is determined by actuarial formulas specified in the plan document instead of by a participant's investment account balance. The employer actuarially calculates the amount to be carried on the plan's records for each participant's account, referred to as a "hypothetical allocation account" – however, participants do not contribute to the account, they do not direct the investments of the accounts, nor are the balances in the accounts affected by investment earnings. The formula for crediting the participant's account are set in advance according to a formula described in the plan documents and adjusted annually by the plan's actuary at a date set by the plan. The business sponsoring the plan then makes a contribution to the plan which is actuarially determined to be necessary to fund the calculated benefit.

Participant accounts grow in two ways:

- The company credits either a percentage of pay or a flat dollar amount determined by a formula specified in the plan document.
- An annual rate of return is guaranteed, which is independent of the plan's investment performance. The rate changes each year and typically follows the yield on 30-year Treasury bonds (though you can also design the plan to specify a rate of return tied to the historical performance of the underlying plan investments or other market based rates).

When participants leave the company (and the plan), they are eligible to receive the vested portion of their account according to a vesting schedule specified in the plan document.

Example Cash Balance Plan First Year

Participant	Age	Compensation[1]	Salary deferrals	Profit sharing	Hypothetical allocation credits	Total benefits (excluding deferrals)
Owner 1	55	$280,000	$25,000	$37,000	$203,000	$240,000
Owner 2	50	$280,000	$25,000	$37,000	$158,000	$195,000
Non-HCE 1	46	$50,000	$5,000	$3,500	$700	$4,200
Non-HCE 2	41	$45,000	$3,000	$3,150	$700	$3,850
Non-HCE 3	35	$40,000	$1,500	$2,800	$700	$3,500
Non-HCE 4	32	$35,000	$500	$2,450	$700	$3,150
Non-HCE 5	27	$30,000	$-	$2,100	$700	$2,800
% to Owners				84.1%	99.0%	96.1%

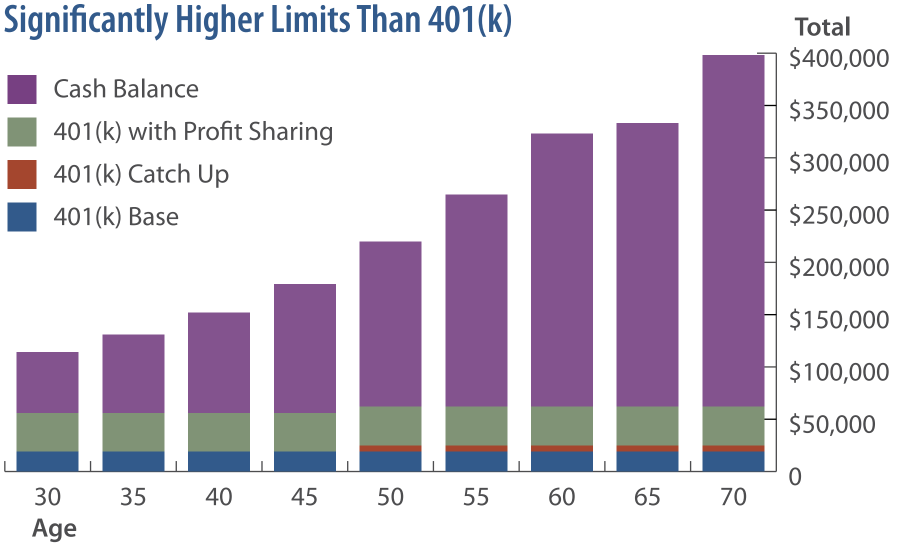
This hypothetical plan example is for educational purposes only. It assumes rates and contributions that may not be applicable to all situations and is assumed to have PBGC coverage, otherwise combined plan limits may apply. Total contributions may not be deductible in the first plan year.

[1] Only the first $280,000 of compensation is considered by the plan, per IRS limits.

Contribution Limits By Age

Maximum Deductible Contributions			
Age	**401(k) with Profit Sharing**	**Cash Balance Plan**	**Total**
70	$62,000	$336,000	$398,000
65	$62,000	$271,000	$333,000
60	$62,000	$261,000	$323,000
55	$62,000	$203,000	$265,000
50	$56,000	$158,000	$220,000
45	$56,000	$123,000	$179,000
40	$56,000	$96,000	$152,000
35	$56,000	$75,000	$131,000
30	$56,000	$58,000	$114,000

Significantly Higher Limits Than 401(k)



Maximum lifetime contribution limit is $2.8 million.

IRS Spotlight: Compliance Testing

By combining a Cash Balance Plan with a 401(k) or profit sharing plan, employers can maximize the amount owners and HCEs can be credited with in the Cash Balance Plan. By making minimum required profit sharing contributions in a 401(k) plan (usually 5%, but sometimes more), the two plans can be cross-tested. Profit sharing and cash balance credit are viewed as the same under the test since they both come from the employer and are not tied to salary deferrals. If an employee receives 5% profit sharing and 1% cash balance contribution, then under the test they've received a total of 6% contributions and credits. It's also worth noting that if the 401(k) plan is a Safe Harbor plan, and the employer contributes the non-elective 3% safe harbor contribution, this can also be used in the cross-testing.

Is A Cash Balance Plan Right For You?

Cash Balance Plans can help business owners and highly compensated employees increase retirement account contributions. Here are some guidelines to help determine if a Cash Balance Plan is right for you:

- If **you wish to contribute more than $50,000 a year** to your retirement accounts, a Cash Balance Plan is a good option. It's common for busy professionals and entrepreneurs to inadvertently neglect personal retirement savings while building a practice or company. This often results in the need to catch up on years of retirement savings. Adding a Cash Balance Plan can allow you to rapidly accelerate savings with pre-tax contributions as high as $100,000 to $260,000, depending on your age.
- If **your company already contributes 3-4% to employees' accounts**, or at least is willing to do so, a Cash Balance Plan can be established for the benefit of employees, especially key executives and highly compensated employees. Typical plans provide contributions between 5% and 7% of pay for all staff.
- Cash Balance Plans are defined benefit pension plans with **required annual contributions**, so a company's consistent cash flow and profit is very important.
- Cash Balance Plans can be especially **beneficial to partners or owners over 40 years of age who desire to "catch up"** or accelerate their pension savings. Contribution limits allowed in Cash Balance Plans are age-dependent: the older the participant, the more the company can contribute.

Cash Balance Plans carry some risk: to maintain its tax-deferred status, the plan must meet its annual funding obligations regardless of the profitability or investment performance of any given plan year. Additionally, the underlying investments will have their own risks.

Guaranteed Benefits

In addition to the business providing a back-stop for investment earnings and contribution amounts specified in the plan documents, most plans are insured by the Pension Benefit Guaranty Corporation (PBGC) – a US-government agency.

PBGC insurance is not required for every plan, however. If your business or plan meets one of the following criteria, you can forego the insurance:

- Professional service employer (i.e. doctor, lawyer, dentist, etc) with 25 or fewer employees
- The plan only covers substantial owners (defined as more than a 10% interest)
- Native American tribal plans
- Church plans (a plan operated by an entity that is either formally recognized as a "church" by the IRS, or an organization with strong religious ties, to the point that religious beliefs and values are woven into the primary mission of the organization)

Fees

Employer Fees

Annual Administration Fee: $750 per year.

Ongoing Actuarial Services:

Compliance Testing	Actuarial Valuations	Form 5500 Schedule SB
$600 annually, plus	$750 annually, plus	$300 annually
$50 per participant up to 10	$75 per participant up to 10	
$25 per participant more than 10	$50 per participant from 10 to 100	
	$25 per participant more than 100	

For a plan with 5 participants:

$4,025
Initial plan year

$3,025
Subsequent years

If the plan is covered by PBGC: $300 annually

One-time Actuarial Set-up Fee: $1,000

Owner-Only Plans

Annual Administration Fee: None.

Ongoing Actuarial Services:

Actuarial Valuations	Form 5500 Schedule SB
$825 annually, plus	$300 annually

$1,625
Initial plan year

$1,125
Subsequent years

One-time Actuarial Set-up Fee: $500

Per Participant Fees

Employees (plan participants) are charged a percentage of their investments in non-Saturna funds. The percentage they are charged is based on total plan assets held in non-Saturna funds.

	Quarterly Fee
Non-Saturna Assets	**0.10%** (0.40% annually)

Enrollment	**None**
Affiliated mutual fund trading	**None**
Plan menu fund trading	**None**
Mutual fund expenses	**Please see a Fund's summary prospectus for details.**
Loan initiation fee (if allowed)	**$60**
Quarterly loan fee (if allowed)[1]	**$15**
Plan departure	**$60**

[1] *A quarterly loan fee of $15 ($60 annually) is charged only to those participants who have an outstanding loan, if loans are allowed by the plan.*

SATURNA CAPITAL

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Saturna Trust Company is a wholly-owned subsidiary of Saturna Capital Corporation, investment adviser and administrator to the Amana, Sextant, and Saturna Sustainable fund families.

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