Consider a Cash Balance plan if you’re looking to significantly maximize retirement contributions for you and your employees and help reduce the taxable income for your business. A Cash Balance plan is a type of Defined Benefit (DB) plan that has features similar to a 401(k) plan and can be a powerful savings tool for business owners — by complementing a 401(k) with a Cash Balance plan, you can potentially maximize retirement contributions for key employees by more than $400,000 a year.¹

**Features**

**Benefits for business owners**
- Potential for increased tax deductions
- Aids in recruitment and retention of key employees
- More predictable costs than traditional DB plans
- Flexibility to weight benefits toward owners and key employees

**Benefits for employees**
- Higher contribution limits than 401(k) plans, helping to "catch up" or accelerate retirement savings
- Employer-funded benefit
- Easy to understand with hypothetical account balances
- Portable benefit in the event of job change or termination
- Potential for tax-deferred growth

**Administrative Requirements**

**Mandatory annual funding and participation requirement**
- Employers control the investment options and bear the investment risk
- Non-discrimination rules may impact or affect the plan design and, therefore, participation requirements

**Investment considerations and administrative requirements**
- Cash Balance plans generally adopt a more conservative investment strategy than a 401(k) plan and the interest crediting rate for a Cash Balance plan can either be fixed or based on a targeted interest rate
- Must be funded at least annually
- Generally must pay insurance premiums through the Pension Benefit Guaranty Corporation (PBGC)
- IRS Form 5500 must be filed annually (other reporting requirements may also apply)

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¹ See How Cash Balance Plans Differ from DC Plans

<table>
<thead>
<tr>
<th>Defined Benefit Plans</th>
<th>Defined Contribution Plans Including 401(k), 403(b), or Money Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>Employer-directed</td>
</tr>
<tr>
<td>Employee Benefits at Retirement</td>
<td>Fixed</td>
</tr>
<tr>
<td>Annual Funding by Employers</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Asset Accounting</td>
<td>Pooled Accounts</td>
</tr>
<tr>
<td>Plan Documents</td>
<td>Custom</td>
</tr>
<tr>
<td>Actuarial Valuation</td>
<td>Required</td>
</tr>
<tr>
<td>Employee Contributions</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Benefit Insurance</td>
<td>PBGC protection²</td>
</tr>
<tr>
<td>Compliance Testing</td>
<td>Top Heavy and 415 testing required</td>
</tr>
</tbody>
</table>

Who It’s For

Professionals and small business owners who are generally:
- At least 45 years old with significant income
- Paying significant taxes (typically $100,000 or more)
- Seeking to make high contributions in a shorter timeframe
- Maximizing 401(k) and profit sharing contributions
- Consistently profitable with substantial annual revenues
- Willing to commit to annual contributions

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Merrill Lynch Wealth Management®
Bank of America Corporation
How a Cash Balance Plan Can Work for You

This hypothetical illustration shows how complementing a Cash Balance plan with a 401(k)/Profit Sharing plan can help you realize significant tax deductions and accelerate retirement accumulations for key employees.

<table>
<thead>
<tr>
<th>Age</th>
<th>Compensation</th>
<th>401(k)</th>
<th>Profit Sharing</th>
<th>401(k) + Profit Sharing Total</th>
<th>Cash Balance</th>
<th>Total with Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner 1</td>
<td>52</td>
<td>$245,000</td>
<td>$22,000</td>
<td>$12,000</td>
<td>$34,000</td>
<td>$129,000</td>
</tr>
<tr>
<td>Partner 2</td>
<td>49</td>
<td>$245,000</td>
<td>$16,500</td>
<td>$12,000</td>
<td>$28,500</td>
<td>$105,000</td>
</tr>
<tr>
<td>Partner 3</td>
<td>48</td>
<td>$245,000</td>
<td>$16,500</td>
<td>$12,000</td>
<td>$28,500</td>
<td>$100,000</td>
</tr>
<tr>
<td>Partner 4</td>
<td>42</td>
<td>$245,000</td>
<td>$0</td>
<td>$12,000</td>
<td>$12,000</td>
<td>$73,000</td>
</tr>
<tr>
<td>Partner 5</td>
<td>40</td>
<td>$245,000</td>
<td>$16,500</td>
<td>$12,000</td>
<td>$28,500</td>
<td>$65,000</td>
</tr>
<tr>
<td>Partner 6</td>
<td>39</td>
<td>$245,000</td>
<td>$5,000</td>
<td>$12,000</td>
<td>$17,000</td>
<td>$0</td>
</tr>
<tr>
<td>Partner Total</td>
<td></td>
<td>$76,500</td>
<td>$72,000</td>
<td>$148,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate</td>
<td>$245,000</td>
<td>$0</td>
<td>excluded</td>
<td></td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>16 Employees</td>
<td>$750,000</td>
<td>may vary</td>
<td>$52,500 (7% of pay)</td>
<td></td>
<td>may vary</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$76,500</td>
<td>$124,500</td>
<td></td>
<td>$201,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**By adding a Cash Balance plan, this hypothetical firm enjoys:**
- **Higher tax deductions** — An additional current year tax deduction of $488,000 (in addition to deductions from 401(k)/profit sharing plan)
- **Accelerated accumulations** — Depending on their age, partners have an opportunity to accumulate up to 379% more for retirement each year than with the 401(k)/profit sharing plan alone
- **Maximized benefits** — Partners receive 90% of the total benefit amount with employees receiving an employer allocation

**Platform Solutions for Small Businesses**

Merrill Lynch Wealth Management offers solutions to support your Defined Benefit Cash Balance plan that provide flexibility in investment options and plan administration.

- **Advisor Alliance** — Combines the investment and advisory services provided by a Merrill Lynch Financial Advisor with recordkeeping and plan administration services provided through carefully selected partners
- **RCMA® Investment Only** — Offers the brokerage services of Merrill Lynch to employers who want to work with a third-party administrator (TPA) of your choice for recordkeeping, tax reporting and other administrative duties

To learn more about how a Cash Balance plan may help you maximize retirement contributions, contact your Merrill Lynch Financial Advisor.

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1 Based on IRS 2011 Contribution Limits and the hypothetical illustration shown above. Individual contribution limits may vary based on personal financial circumstances.
2 Coverage subject to PBGC limits.
3 This hypothetical illustration represents a sample plan design using various actuarial assumptions and plan provisions combined with a 401(k)/Profit Sharing plan, and is intended for illustrative purposes only. The following Cash Balance formula applies to this illustration (9% multiplied by the 2010/2011 IRC 415 dollar limit multiplied by the applicable annuity purchase rate for a single life annuity of $1 per year beginning at age 62, discounted at 5.5% interest from age 62 to the current age).
4 The associate chooses not to participate in any of the plans. This illustration shows that associates can be excluded.
5 Employee total does not include 401(k) contributions.
6 A Defined Benefit solution is also available to support large Institutional plans.

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