BRYSON

CASE STUDY

Reducing Private Equity Partner Taxes While Accelerating Savings

Bryson 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

Bryson 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.

SOLUTIONS

Bryson 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.

RESULTS

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.

AT A GLANCE

Challenges

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

Outcome

- Each partner was able to contribute $329,000 annually on a tax deferred basis for the next 5 years
- The partners were able to accelerate their retirement funding and can now comfortably hit their individual targets.
- 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.