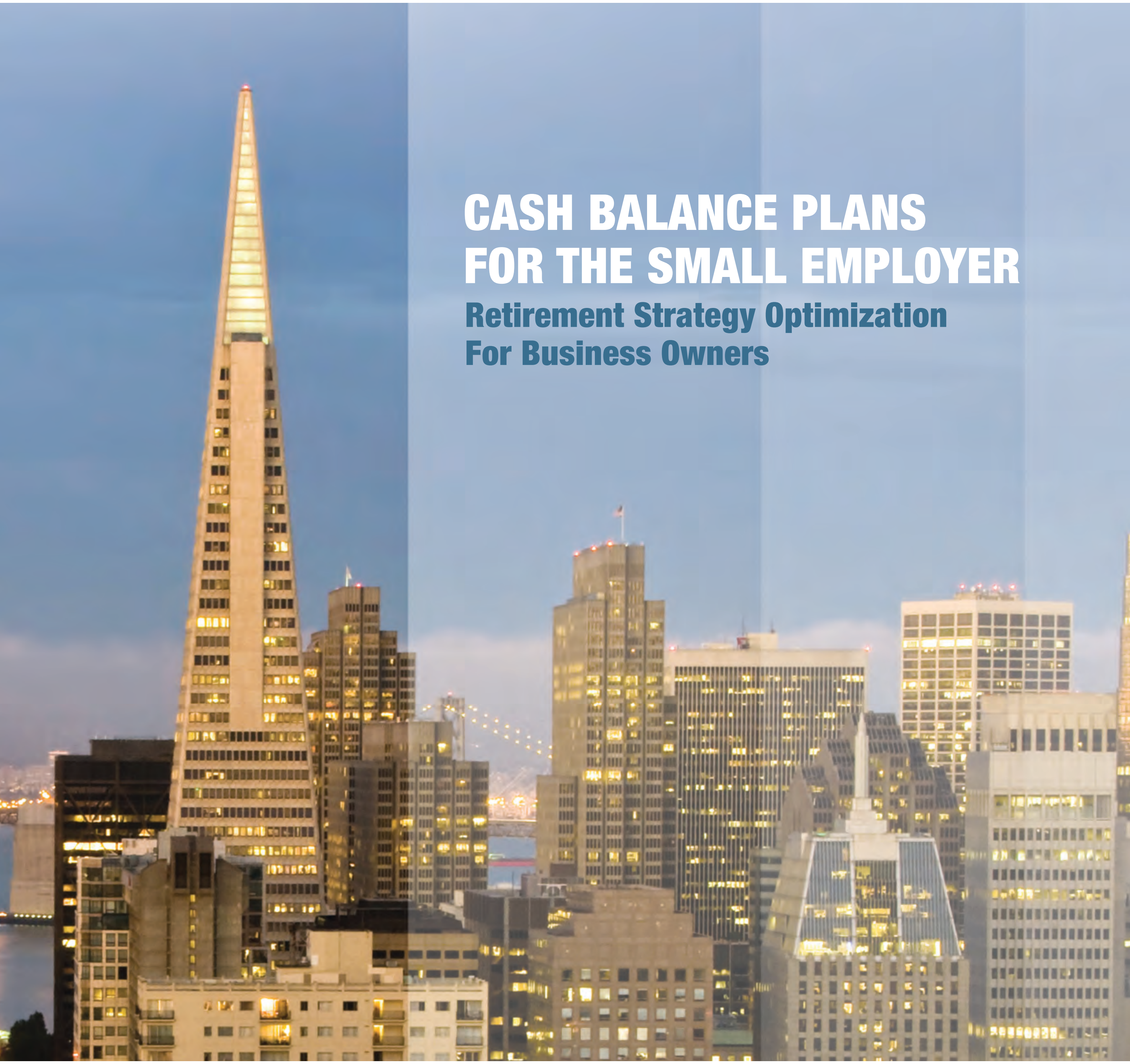
TRANSFORM **YOUR** TOMORROW℠



CASH BALANCE PLANS FOR THE SMALL EMPLOYER

Retirement Strategy Optimization For Business Owners

For Plan Sponsor/Investment Professional Use Only.

TRANSAMERICA®
Retirement Solutions

The Circumstance

Given recent economic events, many business owners have seen their nest eggs shrink, and with recent and potential new tax laws taking effect soon, business owners may be required to pay more in taxes. Defined contribution (DC) 401(k) plans limit the amount a business owner or highly compensated employee can defer, and the amount employers can contribute. As many business owners near retirement, there is growing concern that sufficient retirement savings are unattainable.

The Solution

For owners who want to optimize their retirement plan strategy, one possible solution is to establish a cash balance plan alongside their existing 401(k) plan. A cash balance plan is a defined benefit (DB) plan with features that resemble a DC plan. Aside from potentially realizing increased contribution amounts with a 401(k) plan and cash balance plan, there are many benefits for having a DB and DC plan with the same provider. These include, for instance: having a dedicated service team, combined benefit statements, streamlined data collection, and potential savings on administration costs.

Cash Balance Plans

Cash balance plans combine the higher benefit limits of a DB plan with some of the flexibility and portability of a 401(k) or profit sharing plan. A cash balance plan provides employees with individual hypothetical accounts that grow through annual contributions—which may be based on a percentage of pay or a flat dollar amount (pay credits), and can vary by class of employees, similar to a cross-tested or new comparability plan.

Cash balance plans also grow through interest credits, which may be based on a flat rate or an index such as U.S. Treasury rates or corporate bond yields. All assets are invested collectively by the plan fiduciary or trustee in one pooled account.

At termination or at retirement, a participant can select an annuity payment option or take a lump sum distribution, as is similar to a 401(k) or profit sharing plan. Just like a DC plan, a participant can rollover his or her distribution into an Individual Retirement Account (IRA) or another qualified retirement plan.

Pooled Investment Account

Assets in a cash balance plan are not individually directed by participants, but are held in a pooled account. Contributions are paid into the pool and benefits are paid from the pool. The plan fiduciary or trustee is responsible for managing the plan assets and typically works with a financial advisor and plan provider to manage the investments. Unlike a DC plan, benefits in a DB are guaranteed; thus, it is important for the plan fiduciaries to ensure that there are sufficient assets in the plan to pay benefits.

Not FDIC Insured	May Lose Value
No Bank Guarantee	

Candidates for a Cash Balance Plan

If a business and its owner(s) have any one of the following characteristics, it may benefit from a cash balance plan:

- Owners wanting to catch-up on retirement contributions.
- Owners who are able to make contributions to their retirement plan in excess of IRS limits on DC Plans ($51,000 in 2013).
- Professional groups including doctors, dentists, engineers, architects, accountants, lawyers, etc., who seek to maximize retirement contributions and benefits.
- Companies having predictable cash flows.
- Family businesses or closely held businesses.

The Advantages of a Defined Contribution and Cash Balance Plan

A cash balance plan in conjunction with a 401(k) plan may provide the following benefits for plan sponsors:

- Companies may be able to contribute more than the DC limits for benefit to owners and highly compensated employees. In fact, DB tax-deductible contributions may be three or four times more than the DC plan limits.[1]
- Earnings on investments are generally not taxable to the employer.
- A potentially effective tool to attract and retain valuable employees.
- Can provide for accelerated retirement savings (by allowing larger contributions and recognition of past service).
- Benefits accrued under cash balance plans are generally insured by the Pension Benefit Guaranty Corporation.[2]
- Assets are invested by the plan's fiduciary or trustee (as opposed to individual plan participants), which provides the plan sponsor with more control over the investment strategy.
- Cash balance plans are typically easier to understand than a traditional DB plan.

Benefits of a Cash Balance Plan for Employees:

- May allow for greater retirement benefits as compared with a DC plan alone, especially for highly compensated employees and owner-employees.
- Provides a defined monthly benefit or lump sum based on the account balance at retirement.
- Cash balance plans are tax deferred until benefit payment(s) begin (monthly annuity payments or a lump sum distribution).**
- Cash balance benefits are generally portable.
- ERISA protects qualified plan assets from creditors in the event of a lawsuit or bankruptcy.*,**
- Participants do not bear the investment risk, and benefits are guaranteed.

*Employee Retirement Income Security Act of 1974 (ERISA)

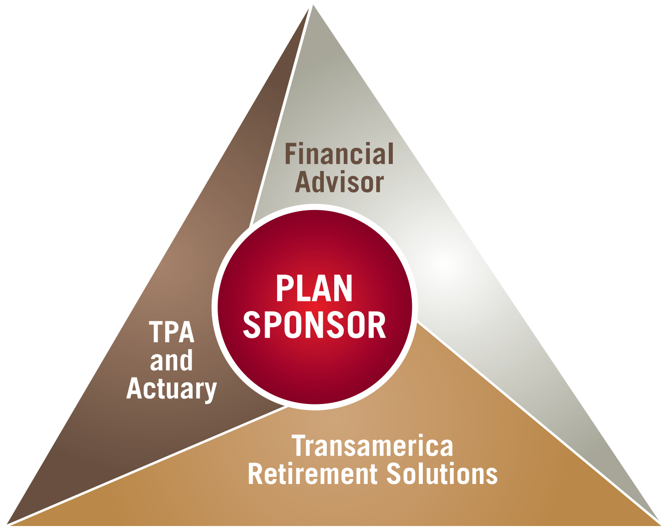
**Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein.

Why Transamerica?

For more than 75 years[3], Transamerica Retirement Solutions and its affiliates have been dedicated exclusively to providing customized retirement plan services to employers. Transamerica currently services over 21,000 plans, with $91 billion of assets under management and more than three million participants.[4] This singular focus enables us to continually develop innovative strategies to help our clients more efficiently manage their retirement plans—including services for defined benefit, defined contribution, and non-qualified deferred compensation plans. Not only do we have a depth of expertise across all these plan types, we've amassed a breadth of experience working with all different kinds of organizations.

As one of the top retirement plan providers,[5] Transamerica services over 375 defined benefit plans and has more than $20 billion in defined benefit plan assets.[4] Of these defined benefit plans, our emerging markets group services over 150 small plans and has more than $1.5 billion in assets with a client retention rate of 98%.[4]

Total Defined Benefit Support



Expertise

- Transamerica offers more than 250 quality investment choices[6] from over 40 well-known investment advisory companies including Stable Value funds.[7]
- Mutual fund or separate account platforms are available.
- The Transamerica Fiduciary Management Tool provides a range of tools to help you satisfy the investment portion of your fiduciary responsibility, which can give peace of mind to your plan's fiduciaries.[8]
- Transamerica Proprietary Investment Scorecard displays the analysis conducted using Transamerica's process to help plan sponsors fulfill their due diligence obligations.[9]
- Transamerica makes payments to more than 65,000 participants and their beneficiaries each month.*

* These payments include EM and terminal funding.

Dedication

- Cash balance plans receive Dedicated Client Relationship Associates (DCRAs) and Client Relationship Managers (CRMs).[10]
- Every year, Transamerica representatives can participate in plan investment committee meetings to help sponsors meet their fiduciary responsibilities.[11]
- Each sponsor receives, upon request, a customized Investment Review.
- Sponsor-directed reallocations can occur the same day if the request is received by 1 p.m. Pacific Time.
- Combined DB/DC participant statements.
- Dedicated plan sponsor service team.
- Dedicated payee call center with multilingual support.

For more information on establishing a retirement plan that helps plan sponsors optimize retirement savings, call us today at 888-401-5826 between the hours of 9 a.m. to 7 p.m. ET, or visit us at trsretire.com.

Case Study Illustration

SAMPLE: ABC RADIOLOGISTS			ALTERNATIVE I CROSS TESTED PROFIT SHARING PLAN WITH SAFE HARBOR 401(K)			ALTERNATIVE II COMBINED CROSS TESTED PROFIT SHARING PLAN WITH SAFE HARBOR 401(K) AND CASH BALANCE PLAN			
Name	Age	Salary	Employer Profit Sharing Contribution Plus Safe Harbor	Employee 401(k) Contribution (plus catch-up, if any)	Total Contribution	Employer Cash Balance Contribution	Employer Profit Sharing Contribution Plus Safe Harbor	Employee 401(k) Contribution (plus catch-up, if any)	Total Contribution
Dr. Adams*	60	$255,000	$33,500	$23,000	$56,500	$230,500	$33,500	$23,000	$287,000
Dr. Baker*	55	$255,000	$33,500	$23,000	$56,500	$180,600	$33,500	$23,000	$237,100
Dr. Cox*	45	$255,000	$33,500	$17,500	$51,000	$110,900	$33,500	$17,500	$161,900
Total Target Employees**		$765,000	$100,500	$ 63,500	$164,000	$522,000	$100,500	$63,500	$686,000
Total Other Employees**		$805,000	$36,225	$0	$36,225	$16,100	$84,525	$0	$100,625
Total Employees (Target plus Other)		$1,570,000	$136,725	$63,500	$200,225	$538,100	$185,025	$63,500	$786,625
Portion to Target Employees**		49%	73.5%	100%	81.9%	97.0%	54.3%	100%	87.2%
Total Retirement Plan Contributions			$136,725	$63,500	$200,225	$538,100	$185,025	$63,500	$786,625
Estimated Tax Rate			35%	35%	35%	35%	35%	35%	35%
Tax Savings			$47,854	$22,225	$70,079	$188,335	$64,759	$22,225	$275,319

ABC Radiologists

ABC Radiologists adopted a 401(k)/profit sharing plan [see Alternative I]. In order to increase the annual retirement plan contributions for the target employees, ABC Radiologists could adopt a defined benefit pension plan, in addition to maintaining the existing 401(k)/profit sharing plan [see Alternative II]. In this case, the combination of the defined benefit (cash balance) plan with the defined contribution 401(k)/profit sharing) plan would provide a significant increase in the maximum allowable contributions and benefits for the target employees, with relatively modest additional contributions and benefits for other employees. By adding the cash balance plan as a second plan, and performing aggregated compliance testing on both plans, the contributions for target employees would total $686,000, compared to $164,000, under the prior 401(k)/profit sharing plan. This defined benefit/defined contribution combination design yields a contribution increase of $522,000 for the target employees. In this example, the cost of covering the non-target employees would be 12.5% of non-target employee payroll, or $100,625. This is an increase of $64,400 from the prior 401(k)/profit sharing plan. The tax savings on the additional contribution for the owners would more than offset the additional contribution cost for the other employees.

*Target Employee. **For ABC Radiologists, Target Employees are owners who are also Highly-Compensated Employees (HCEs). Other Employees are non-HCEs. Depending on your plan's provisions, target employees may be defined as HCEs, or as a combination of HCEs and non-HCEs. **Alternative I Assumptions:** Assumes the plan is top heavy, with the minimum sponsor contribution provided in the defined contribution plan with a 3% non-elective safe harbor contribution to non-HCEs and a 1.5% profit sharing contribution to non-HCEs. Target employees defer the maximum amount in the 401(k) plan and if applicable defer $5,500 in catch-up contributions if over the age of 50, and receive a 13.13% of pay profit sharing contribution. Assume the non-HCEs are not making 401(k) deferrals. However, the ADP test passes due to the 3% non-elective safe harbor contribution. **Alternative II Assumptions:** Assumes the plans are top heavy in the aggregate, with the minimum sponsor contribution provided in the defined contribution plan with a 3% non-elective safe harbor contribution to non-HCEs and a 7.5% profit sharing contribution to non-HCEs, as well as a 2% of pay contribution in the Cash Balance Plan to non-HCEs. The funding assumptions are the Internal Revenue Code 430h segment rates, applicable mortality table and no salary scale assumption. Assume the non-HCEs are not making 401(k) deferrals. However, the ADP test passes due to the 3% non-elective safe harbor contribution. Assume that Doctors Adams, Baker, and Cox receive an 90.39%, 70.82% and 43.49% pay credit respectively in the Cash Balance Plan as well as the 13.13% of pay profit sharing contribution. Contribution amounts are estimates for planning purposes and should not be used as the basis for a tax deduction. The contribution amounts are based on current legislation that reflect the Pension Protection Act of 2006. This chart is for illustrative purposes only, and your circumstances will differ from this example. There are many other factors involved, such as age and service. Results are not typical.

Footnotes:

Transamerica Financial Life Insurance Company and Transamerica Life Insurance Company are affiliates of Transamerica Investors Securities Corporation (TISC). Securities are offered by TISC, 440 Mamaroneck Avenue, Harrison, NY 10528. Transamerica Retirement Solutions is prohibited by law from providing tax or legal advice. The information contained in this brochure is intended solely to provide general summary information and is not intended to serve as legal or tax advice applicable to certain matters or situations. For legal or tax advice concerning your situation, please consult your attorney or professional tax advisor. Although care has been taken in preparing this material and presenting it accurately, Transamerica Retirement Solutions disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

1. Within allowed IRC limits.

2. In the event a DB plan terminates before benefits are fully funded, the Pension Benefit Guaranty Corporation ("PBGC") steps in to pay guaranteed benefits. The PBGC protects the retirement incomes of more than 44 million American workers in more than 27,500 private-sector defined benefit pension plans. PBGC collects insurance premiums from employers that sponsor insured pension plans. Transamerica Retirement Solutions is not affiliated with the PBGC. For 2013, the maximum guaranteed amount is $57,477.24 per year for workers who begin receiving payments from PBGC at age 65. The maximum guarantee is lower if you begin receiving payments from PBGC before age 65 or if your pension includes benefits for a survivor or other beneficiary. The maximum guarantee is higher if you are over age 65 when you begin receiving benefits from PBGC.

3. Plan-related recordkeeping services are provided by Transamerica Retirement Solutions Corporation ("Transamerica" or "Transamerica Retirement Solutions"). The investment choices are available through a contract issued by Transamerica Financial Life Insurance Company ("TFLIC"), TA-AP-2001-CONT, or Transamerica Life Insurance Company ("TLIC"), CNT-TLIC 10-05. Transamerica is an affiliate of TFLIC and TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Contract form and number may vary, and these investment choices may not be available in all jurisdictions. Fees and charges may apply. For complete information, contact your Transamerica representative.

4. As of December 31, 2012.

5. Transamerica Retirement Solutions received 56 "Best in Class" Cups for sponsor and participant services in *PLANSPONSOR® Magazine's* annual Defined Contribution Survey of retirement plans. The 56 "Best in Class" designations—16 in the <$5 million markets, 17 in the $5 million to $10 million markets and 23 in the $10 million to $50 million markets—rank Transamerica Retirement Solutions among the top cup recipients of the 35 providers evaluated in the micro- and small-plan markets. The results of the Defined Contribution Survey were announced in the November 2012 issue of *PLANSPONSOR® Magazine*. The survey polled 5,930 clients of 37 defined contribution plan providers. "Best in Class" Cups are awarded to plan providers who score in the top quartile of a specific category. See the November 2012 issue of *PLANSPONSOR® Magazine* for complete results. Transamerica Retirement Solutions Corporation was formerly known as Transamerica Retirement Services Corporation.

6. All investment choices are Transamerica Life Insurance Company ("TLIC") or Transamerica Financial Life Insurance Company ("TFLIC") separate account investment choices that are either managed or invest in underlying investment vehicles managed by affiliated or nonaffiliated investment managers, except for the Transamerica Stable Value Advantage Option and the Transamerica Stable Value Advantage Account. The Transamerica Stable Value Advantage Option and the Transamerica Stable Value Advantage Account are not separate account investment choices; they are an investment in the TLIC or TFLIC general account, respectively. Some limitations on the number of investment choices based on first-year deposits or on total plan assets may apply. Maximum number of investment choices per plan is 80. **"NAV mutual fund product" refers to the Transamerica platform that provides retirement plan sponsors and/or their financial advisors with the ability to select mutual funds at net assets value. The funds are offered to plan sponsors without any sales charge imposed.**

7. Stable Value investment choices are offered by Transamerica Financial Life Insurance Company ("TFLIC"), 440 Mamaroneck Avenue, Harrison, New York 10528, and Transamerica Life Insurance Company ("TLIC"), 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Transamerica Financial Life Insurance Company and Transamerica Life Insurance Company are affiliates of Transamerica Investors Securities Corporation and Transamerica Retirement Solutions Corporation.

8. Transamerica Retirement Solutions' fiduciary monitoring does not guarantee that an investment will not lose value. The monitoring involves our proprietary monitoring system. Transamerica is not a fiduciary with respect to any plan nor is it responsible for any selection, monitoring, or de-selection of investment choices.

9. The Transamerica Investment Monitor provides investment selection and monitoring due diligence related to the investment choices on Transamerica's platform as a normal part of its business. Transamerica makes certain of this due diligence available to clients so they may leverage it as they select and monitor the investments for their own plan. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation. **All investments involve risk, including loss of principal and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing.** This is not meant to be construed as investment advice. Transamerica is not a fiduciary with respect to the plan as defined by ERISA including sections 3(21), 3(38) or 3(16), nor it is responsible for a plan's selection, monitoring or de-selection of investments. Although the investment choices may meet the "significantly exceeds," "meets/exceeds," or "below" criteria, there are no guarantees of a profit and it is still possible to lose money from that investment choice. The methodology and criteria used may be changed at any time. **Transamerica Retirement Solutions does not provide investment advice. Nothing presented herein should be construed as a recommendation to purchase or sell a particular investment, product or follow any investment technique or strategy.** Transamerica Retirement Solutions does not act as a fiduciary.

10. Dedicated Client Relationship Associates and Client Relationship Managers are available for defined benefit plans with over $1 million in assets.

11. Minimum balance of at least $5,000,000 in defined benefit assets is required for in-person participation. For clients with less than $5,000,000 in defined benefit assets, conference call participation only is available.

Group annuity guarantees, including any credited rate of interest or annuity payout rates, and any rider guarantees, if applicable, are backed by the claims-paying ability of Transamerica Financial Life Insurance Company ("TFLIC") and/or Transamerica Life Insurance Company ("TLIC"), as applicable. TFLIC and/or TLIC are affiliates of Transamerica Investors Securities Corporation (TISC). Securities are offered by TISC, 440 Mamaroneck Avenue, Harrison, NY 10528. The broker/dealer or insurance agency from which this annuity is purchased, and any affiliates of those entities, neither back the guarantees, nor make any representations or guarantees regarding the claims-paying ability of TFLIC and/or TLIC, as applicable.