

Capital Accumulation Plan (CAP)



Powerful insights designed to make positive impacts.

Tax-exempt organizations have limited options in non-qualified plan alternatives for key employees. Most nonprofits use 403(b) and/or 457(f) plans as retirement savings programs for key executives and physicians that have annual contribution limits and can make it difficult to compete with for-profit entities when recruiting and retaining talent.

The Capital Accumulation Plan (CAP) was created to address this issue. It is a voluntary, non-qualified plan designed for key leadership and highly compensated employees of non-profit institutions such as many hospitals and universities. It can be supplemental to existing qualified and non-qualified benefit plans.

Benefits to The Participant (Employee)

Ability to contribute toward post-employment benefits that:

- Are pre-tax
- Accumulate earnings tax-free
- Ultimately receive distributions on a tax advantaged basis
- Potentially provides 40% to over 75% higher after-tax benefit than alternative plans or personal investment on an after-tax basis
- Are secure from creditors
- Are unique market-based investment choices (controlled by the participant) which can help protect against loss of principal value or prior year's plan earnings due to market volatility

Benefits to Sponsoring Organization (Employer)

- Typically, does not have hard dollar costs
- CAP is generally accretive to the organization's financial statements
- Recruiting and retention tool
- Not subject to Section 457(f), so benefits can be immediately vested without taxation (if desired)
- Can also be used as an alternative compensation tool for executive compensation and for portions of payments made to acquire practices

The CAP was designed by Simplicity Keystone (FKA Keystone Benefit Group), and it has helped many organizations with recruiting and retaining key employees. Numerous tax-exempt organizations including hospitals, health systems, charitable organizations, and thousands of highly compensated employees have benefited from the creativity, specialization, and comprehensive administrative resources the program provides.

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