RADiUS
Wealth Management LLC

A RADIUS WEALTH MANAGEMENT GUIDE FOR PRACTICE OWNERS

Retirement Plans for Dental & Medical Practices

How practice owners combine a 401(k), profit sharing and a cash balance plan, what it costs to cover the team, and what to settle before a practice sale.

2026 LIMITS

Radius Wealth Management LLC · 1 Marina Park Drive, Boston, MA 02210 · radiuswealth.com
Published November 2026 · For educational purposes only

WHY PRACTICES ARE DIFFERENT

A Plan Built Around How Practices Work

A dental or medical practice often looks unlike other small businesses: one or a few owners with high incomes, a small team of hygienists, assistants and front-office staff, and a career that ends with a sale.

That shape creates both opportunity and constraints:

- **Owners start saving late.** Training, student loans and a practice purchase often push serious retirement saving into the forties and fifties. The years before retirement then carry most of the load.
- **Income is concentrated.** When owners earn far more than staff, a plain 401(k) can fail the annual tests that compare what highly paid and other employees save, which limits what owners can put in.
- **The team matters.** Good hygienists and assistants are hard to hire and keep. A well-designed plan is part of a competitive package.
- **There is an exit.** Whether the practice is sold to an associate, a partner or a dental or medical service organization, the plan has to be dealt with as part of the transaction.
- **Ownership can be layered.** Multiple locations, a management company, a building LLC or a spouse's business can affect which employees the plan must cover.

The good news is that the rules allow considerable flexibility. A practice can combine several types of plan, each doing a different job. The next pages describe the building blocks and how they fit together.

WHAT THIS GUIDE COVERS

The building blocks (401(k), safe harbor, profit sharing, cash balance) · what staff contributions typically look like · how plans change across a career · selling the practice · a checklist for owners.

Four Layers, Each With a Job

LAYER	WHAT IT DOES	2026 FIGURES
1. 401(k) deferrals	Owners and staff save from their own pay, pre-tax or Roth.	$24,500 per person; plus $8,000 from age 50, or $11,250 at ages 60 to 63 if the plan allows. W-2 owners with prior-year FICA wages over $150,000 must make catch-ups as Roth.
2. Safe harbor contribution	A required employer contribution for eligible staff, for example 3% of pay to everyone or a match of up to 4%. In exchange, the plan skips the deferral and match tests, so owners can defer the maximum regardless of how much staff save.	Generally fully vested.
3. Profit sharing	A discretionary employer contribution. In a *cross-tested* or *new comparability* design, different groups (for example, owners and staff) can receive different percentages of pay, within nondiscrimination rules. Staff typically must receive a minimum "gateway" contribution, generally the lesser of 5% of pay or one-third of the highest rate given to any highly compensated employee.	Total employer and employee contributions up to $72,000 per person, plus catch-ups. Pay counted up to $360,000.
4. Cash balance plan	A type of defined benefit plan in which each participant has a hypothetical account that grows with annual pay credits and interest credits. Because contributions are based on the benefit an owner can accrue, older owners can often contribute far more than the 401(k) limits allow.	The maximum annual benefit at retirement age is $290,000, or 100% of average pay for the highest three consecutive years if less; the contribution needed to fund it depends on age, pay and plan design.

Many practices start with layers 1 and 2. Profit sharing is added when owners want to save more and the practice has the cash flow. A cash balance plan is usually considered when owners are already contributing the 401(k) maximum, are in their peak earning years and want to accelerate savings, often in the decade before a sale.

> *The design goal: let the owners save what they want, while giving the team a meaningful benefit at a cost the practice is comfortable with.*

A CLOSER LOOK

How a Cash Balance Plan Works

A cash balance plan looks like a 401(k) to participants, with an account balance on a statement, but it is legally a pension. The plan promises each participant an annual **pay credit** (a set dollar amount or percentage of pay) and an **interest credit** (a fixed or index-based rate). The practice funds the plan each year, based on calculations by an enrolled actuary, and invests the assets as a pooled account.

What makes it attractive

- Contributions are generally tax-deductible to the practice.
- Allowable contributions rise with age, which suits owners who started saving late.
- It can sit alongside a 401(k) and profit sharing plan.
- At retirement or plan termination, balances can generally be rolled over to an IRA.
- Plans of professional service employers that have never had more than 25 active participants are generally not covered by the PBGC, so no PBGC premiums apply.

What it requires

- Annual funding is required, within a range the actuary sets, so it fits practices with steady cash flow.
- It is intended to be ongoing. Plans are generally expected to run for several years, not one or two.
- It must cover a minimum number of employees, and staff usually need a meaningful benefit, often a larger profit sharing contribution in the 401(k), commonly 5% to 7.5% of pay.
- Investment results affect funding: poor returns can raise future contributions, and strong returns can lower them.
- Actuarial and administration fees are higher than for a 401(k) alone.

QUESTIONS TO ASK BEFORE ADDING ONE

- Are the owners already contributing the 401(k) maximum, and will cash flow support a larger annual contribution for at least several years?
- How many years remain before a planned sale or retirement?
- What would the combined staff cost be, and is the practice comfortable with it?
- How will the plan's assets be invested, given that the practice bears the funding risk?

Contribution amounts depend on actuarial assumptions, ages, compensation, plan design and annual testing. Your TPA and actuary will model a design for your practice.

ACROSS A CAREER

How the Plan Changes With the Practice

New owner	Practice loans and cash flow come first. A safe harbor 401(k) lets the owner defer the maximum with a predictable cost for staff. If the practice was bought, check what happened to the seller's plan and whether staff are already covered.
Established practice	Add profit sharing when cash flow allows. Review the allocation formula as the team and owners' ages change. Benchmark fees as the plan grows.
Peak earning years	Consider a cash balance plan if owners want to save beyond the 401(k) limits. Coordinate contributions with the practice's tax planning each year.
Partners join	Owners of different ages and goals can sometimes be placed in different allocation groups. Revisit the design when a partner buys in or out.
Before a sale	Decide early whether plans will be terminated before closing or continued by the buyer, and reflect it in the purchase agreement.

Selling the practice

Retirement plans are often an afterthought in a practice sale, and timing matters:

- **Asset sale or stock sale.** In an asset sale, the seller's entity usually keeps the plan and must terminate or maintain it. In a stock or equity sale, the plan goes with the entity unless it is terminated before closing.
- **Terminating a 401(k).** If the plan is to be ended, it often must be done before the closing date. If the employer keeps or starts another defined contribution plan within 12 months, the terminated plan's balances may not be paid out.
- **Joining a DSO or larger group.** The new organization's plan may replace yours. Ask how your staff's service will be counted and what happens to your cash balance plan.
- **Cash balance plans** must be fully funded at termination, which can mean a final contribution.

Multiple entities

An owner with more than one practice, a management company, or a spouse with a business may be required to treat those entities as a single employer for plan coverage and testing, under the controlled group and affiliated service group rules. Your TPA should review the ownership structure before any design is chosen.

FOR PRACTICE OWNERS

A Checklist

- ☐ I know what type of plan our practice has, who the recordkeeper, TPA and adviser are, and what the plan costs in total.
- ☐ I know whether our plan is a safe harbor plan, and whether I was limited in what I could defer last year because of testing.
- ☐ I know how much I contributed in total last year, from my deferrals and from employer contributions, compared with what the law allows.
- ☐ Our TPA has reviewed our ownership structure, including other practices, a management company, a building entity and my spouse's business.
- ☐ We have looked at whether profit sharing or a cash balance plan would help the owners save more, and what it would cost for staff.
- ☐ Our staff understand the plan and the employer contribution, and we use it when recruiting.
- ☐ Our employee deferrals reach the plan promptly after each payroll.
- ☐ The investment menu is reviewed at least once a year, and the review is documented.
- ☐ If I may sell or join a larger group within five to ten years, I know what will need to happen to our plans.
- ☐ My retirement plan contributions are coordinated with my CPA's tax planning each year, not decided after year end.

If you could not check several of these, that is common. Plans are often set up when a practice opens and not revisited while the practice grows.

> A COMPLIMENTARY PLAN REVIEW FOR PRACTICES
>
> Radius Wealth Management works with dental and medical practice owners on their practice retirement plans and their personal planning. We will review your current plan's design, costs and investments, and work with an independent TPA and actuary to model what a profit sharing or cash balance design could look like for your practice. There is no cost and no obligation. If you later hire Radius as your plan's adviser, we are paid an advisory fee, which we disclose in writing before you decide. Start at **radiuswealth.com/business-owners** or call **(617) 765-2200**.

RELATED GUIDES

- *The 401(k) Fiduciary Checklist*: forty questions for running a plan well
- *How to Read Your 401(k) Fee Disclosure*, with an all-in cost worksheet
- *The Retirement Checklist*: fifty questions for your own retirement

All are free at **radiuswealth.com/guides**.

SOURCES

- IRS Notice 2025-67 (2026 limits, including the section 415(b) defined benefit limit and 415(c) defined contribution limit).
- IRS: *401(k) Plan Overview*; *Choosing a Retirement Plan: Defined Benefit Plan*; Treasury regulations under sections 401(a)(4) (cross-testing and gateway contributions) and 401(a)(26) (minimum participation for defined benefit plans).
- Internal Revenue Code sections 401(k)(12) and 401(k)(13) (safe harbor), 404 (deduction limits), 414(b), (c) and (m) (controlled and affiliated service groups).
- ERISA section 4021(b)(13) (PBGC coverage exemption for certain professional service employers).

Radius Wealth Management LLC · 1 Marina Park Drive, Boston, MA 02210 · team@radiuswealth.com · (617) 765-2200

Important disclosures. This guide is provided for general educational purposes only and is not legal, tax, accounting, actuarial or personalized investment advice, nor an offer or solicitation to buy or sell any security. Plan designs described are general; whether a design is available and what it would cost depend on the practice's employees, ownership, compensation and annual testing. Cash balance and other defined benefit plans involve required funding and investment risk borne by the employer. Radius Wealth Management LLC does not provide legal, tax or actuarial services; consult your tax professional, third-party administrator, actuary and ERISA counsel. Investing involves risk, including the possible loss of principal. Radius Wealth Management LLC is a Registered Investment Adviser; registration does not imply a certain level of skill or training. Information is believed to be accurate as of November 2026 and is subject to change. Additional information is available in our Form ADV Part 2A and Form CRS at radiuswealth.com/disclosures.