

The S3 Cash Flow vs. Contribution Evaluator

Balancing Employee Reward with Business Agility

Created by SafeSimpleSound Financial Planning

Your S3 Constitutional Profit-Sharing Tool

Safe • Simple • Sound
Foundation-First Financial Wisdom

What You'll Discover:

- **Safe Agility:** How to protect your business solvency during lean years while building wealth.
 - **Simple Clarity:** A direct comparison between mandatory pension commitments and flexible profit-sharing.
 - **Sound Strategy:** A decision framework to align your retirement plan with your business's natural cash flow rhythm.
 - **Constitutional Advantage:** The ability to decouple employee rewards from rigid financial obligations.
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Part 1: Cash Flow Rhythm Mapping (Safe Foundation)

Why Foundation-First Matters: Before selecting a retirement vehicle, you must understand the terrain of your business revenue. A Safe plan never threatens the operating capital required for business survival.

Instructions: Review your last 3 years of business revenue. Check the box that best describes your reality to determine your “Constitutional Safety Zone.”

The Rhythm Check:

- **Steady State:** Revenue varies less than 10% year-over-year. Cash flow is predictable month-to-month.
- **Growth Surge:** Revenue is climbing rapidly, but cash is often tied up in reinvestment, inventory, or expansion costs.
- **Cyclical/Seasonal:** You have “feast” quarters and “famine” quarters (e.g., retail, construction, agriculture).
- **Project-Based/Volatile:** Revenue creates massive spikes followed by long periods of dormancy (e.g., consulting, real estate development).

S3 Insight:

If you checked Growth Surge, Cyclical, or Project-Based, a traditional Defined Benefit (Pension) plan may be constitutionally unsafe for your current stage. These require mandatory contributions regardless of revenue. A Profit-Sharing foundation offers the safety of discretionary contribution—you pay only when the business thrives.

Part 2: The Flexibility Matrix (Simple Systems)

Why Simple Systems Work: Complexity causes paralysis. This matrix provides Simple Clarity on the trade-offs between plan types, allowing you to see exactly where the obligation lies.

Instructions: Use this comparison to identify which constraints your business is currently ready to accept.

Constitutional Feature	Rigid Pension (Defined Benefit)	S3 Agile Profit-Sharing (Defined Contribution)
Funding Obligation	Mandatory: You <i>must</i> contribute the calculated	Discretionary: You decide annually (0% to

Constitutional Feature	Rigid Pension (Defined Benefit)	S3 Agile Profit-Sharing (Defined Contribution)
	amount annually, even in a loss year.	25%) based on that year's profitability.
Business Safety	High Risk: Can trigger penalties or funding deficiencies if cash flow dips.	High Safety: Adaptable to the business's "breath"—expanding and contracting as needed.
Investment Risk	Employer Bear: You define the benefit; if the market drops, you must pay the difference.	Employee Bear: You define the contribution; the growth depends on the market performance.
Administrative Tone	"We promise to pay you \$X/month at retirement."	"We will share this year's success to help you build wealth."

Both/And Insight:

You do not have to choose between caring for employees and protecting the business. A Profit-Sharing plan solves this Either/Or dilemma by allowing you to be generous when able, and secure when necessary.

Part 3: The Sound Decision Tree (Sound Wisdom)

Why Sound Principles Endure: Sound decisions are made by aligning long-term vision with current capability. Use this logic flow to determine your immediate constitutional readiness.

START HERE:

1. Is your primary goal to shelter >\$70,000 annually per owner right now?

* YES: Go to Question 2.

* NO: Constitutional Recommendation: 401(k) with Profit Sharing. This is your Sound Foundation. It maximizes flexibility and keeps administration simple.

2. Can your business comfortably sustain a mandatory annual payment of \$100k+ for 5 consecutive years without stress?

* YES: You may be ready for a Cash Balance/Defined Benefit overlay (Advanced Strategy).

* NO: Go to Question 3.

3. Do you want to contribute to employees only when profits exceed a specific target?

* YES: Constitutional Recommendation: Discretionary Profit-Sharing. This aligns the employees' reward with the company's actual success (Stakeholder Synthesis).

* NO: "I want to contribute a set % regardless of profit." -> Consider a Safe Harbor 401(k).

Your Constitutional Profile Results

Based on your inputs above, identify your current profile:

The Agile Builder (Most Common)

- Traits: Volatile or growing cash flow; desire to reward team; need for safety.
- S3 Strategy: Profit-Sharing Plan with 401(k) features.
- Why: You retain the "Power of the Pen"—the authority to sign a contribution check only when the bank account permits. This is Time Coexistence: honoring current cash needs while building future wealth.

The Steady Guardian

- Traits: Highly predictable high income; older owners catching up; excess liquidity.
- S3 Strategy: Pension/Cash Balance.
- Why: You have the constitutional stability to trade *flexibility* for *higher tax deduction limits*.

The Hybrid Strategist

- Traits: High income but fear of commitment.
- S3 Strategy: Cross-Tested Profit Sharing.
- Why: Uses demographic testing to skew contributions toward owners while maintaining discretionary flexibility for the staff.

Insights Summary

Key S3 Differentiator: We design plans around your business's "natural rhythm" rather than forcing you into a tax strategy that threatens your operating capital.

Educational Generosity Promise: Understanding the difference between mandatory and discretionary risk is valuable intellectual capital, regardless of who manages your plan.

Stakeholder Synthesis: By choosing a flexible plan, you protect the business (Owner), ensure job security by avoiding over-leverage (Employees), and maintain long-term solvency (Community).

Your Next Steps

Immediate Action (Next 7 days)

Complete the "Rhythm Check" in Part 1 with your CFO or bookkeeper. Confirm if you are truly "Steady State" or "Cyclical."

Foundation Building (Next 30 days)

If you identified as an **Agile Builder**, request a proposal for a “Discretionary Profit-Sharing Design” specifically. Do not accept a generic “bundled” plan without understanding the contribution formula.

Professional Support

If you are unsure where your risk lies, we offer a **Constitutional Plan Discovery** session. We will map your cash flow rhythm to the IRS code to find your perfect fit.

About SafeSimpleSound Financial Planning

Our Promise: We build financial architectures that protect your foundation first, simplify your life second, and optimize your wealth third.

Educational Generosity Commitment: We believe business owners deserve to know the rules of the game. This guide is yours to keep and use as a standard for evaluating any future financial advice.

Contact Us: www.safesimplesound.com/contact

Our Philosophy: www.safesimplesound.com/philosophy

This document embodies S3's constitutional commitment to educational generosity. Whether you become a client or not, this framework provides genuine value for your retirement planning journey.

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