

## Title:

Retirement Plans for Solo Entrepreneurs

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515

## Summary:

Saving for retirement is even more important for solo-entrepreneurs because you don't have a company sponsored pension plan or matching 401K contributions to rely on. There are many retirement plans available to self employed individuals and small businesses. Which one is right for you?

## Keywords:

retirement, retirement planning, financial coach, financial planner, financial planning

## Article Body:

Saving for retirement is even more important for solo-entrepreneurs because you don't have a company sponsored pension plan or matching 401K contributions to rely on. There are many retirement plans available to self employed individuals and small businesses. Which one is right for you?

Here is just a sample of the retirement plans available to solo-preneurs and small businesses:

Roth IRA - although this is not just for solo-preneurs, this is the first place you should look to save if you are just starting to save for retirement (or resuming to save after starting a business). Roth IRAs are low-cost, very flexible, and allow you to grow money tax-free as long as you follow the distribution rules. Contributions can be made up to \$4,000, and can be withdrawn at any time without tax or penalty (earnings withdrawn may be subject to penalty and tax if withdrawn before age 59 ½ and certain other conditions are not met).

SEP IRA - if you're maxing out your Roth IRA, and are ready to save more, a SEP IRA allows you to save up to 25% of your compensation (20% of your self-employment income) for a maximum of \$44,000 per year. Contributions are tax-deductible, and SEP IRAs have low maintenance fees. Contributions can be made for employees also, but employees cannot contribute to their own SEP IRA. This is a good choice if you just have a handful of employees and are looking for a low-cost way to save for your own and your employees' retirement.

Simple IRA - a Simple plan offers many of the benefits of a 401K, but with less IRS reporting requirements. You can contribute up to \$10,000 to a Simple IRA, with an employer match of up to 3%. Contributions are tax-deductible, and Simple IRAs also enjoy low annual fees. Employees are allowed to contribute to Simple plans, and a company match is mandatory. If you have a lower salary (or self-employment income) in your small business, a Simple IRA allows you to put more away towards your retirement than other plans.

Solo 401K - for small businesses with no employees, the solo-401K allows you to put the maximum amount away, with less cost and less reporting requirements than a traditional 401K. Similar to a SEP IRA, contributions max out at \$44,000. However, unlike a SEP IRA, participants in a Solo-401K can contribute up to 100% of the first \$15,000 of compensation or self-employment income, and an additional amount up to 25% of your compensation. This is important because it allows you to save substantially more than a SEP IRA, if your compensation is less than \$220,000 per year. A solo-401K is not appropriate for small business with employees or expecting to add employees.

There's no one best plan for all small businesses. The best plan for you will depend on many factors, such as whether you have employees or not, how much you want to contribute each year, how much time you want to spend administering the plan, etc. To get more information about small business retirement plans, contact a no-load mutual fund company, a discount brokerage company or a fee-only financial planner.