

Information from Alliance Credit Union and CFS* to help keep your financial life in balance

Consumer Sense

Small Business Retirement Needs

According to the Small Business Administration, there are nearly 26 million small businesses in America. Considered the backbone of our nation's economy, they create between 60 to 80 percent of net new jobs. As many business owners can attest, such accomplishments don't come without a large amount of risk and hard work.

Given all the responsibilities that go into running a successful small business, planning for retirement may be one of the last items on your list. Fortunately starting a small business retirement plan may be easier than you think. There are a number of retirement plans that can provide tax advantages to both you, as the owner, and your employees.

There are many plans tailored to the needs of self-employed individuals and small business owners. To determine which plan is right for you and your business, consider the following: plan funding, eligibility, vesting, ease of

administration, and cost of the plan. Here are some additional accounts that may provide similar tax advantages:

SIMPLE IRA

SIMPLE IRA is a savings incentive match plan for business owners with fewer than 100 employees. This plan is well suited for employers who would like their employees to share responsibility for funding accounts by making their own contributions. Some of the key benefits of this type of plan are its simplicity, low cost and ease of administration. No discrimination testing or government reporting is required.

SEP-IRA

SEPs are ideal for the self-employed person who wants a simple retirement plan that allows annual discretionary, tax-deductible contributions. With this type of plan, generally only the employer is allowed to make contributions. This type of plan may require top-heavy

testing requirements.

QUALIFIED PLANS INCLUDING 401(K) PLANS

Individual 401(k)

Commonly referred to as the Single or Solo (k), this plan offers benefits similar to the traditional 401(k) but requires much less administration. It is designed for owner-only businesses that employ a spouse or the owner's immediate family members. The plan is also designed for businesses with part-time employees who are not eligible to participate in the plan. Fortunately this plan does not require discrimination or top heaving testing.

Don't Go It Alone

As there often seems to be an unmanageable number of variables in navigating your retirement picture, the aid of an experienced financial professional can be a valuable resource.

Sources: For more information on retirement plans for business owners, see publication 560 on the IRS website - www.irs.gov; <http://www.sba.gov>

Have You Read...

Retirement Planning: Beyond 401(k)s for Small Business Owners: A Practical Guide to Incentive, Deferred Compensation, and Retirement Plans by Jean D. Sifleet. This book presents strategies for reducing taxes, planning for your retirement, and rewarding high-performing employees.

Interested in Learning More?

I specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call me to set an appointment to review your investment objectives, and to discuss any questions you might have. I look forward to speaking with you!



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Do you have a topic you'd like to see covered in future Wealth News newsletters? Email your questions and comments to me at: qphan@alliancecreditunion.org