

Your Retirement Matters!

If you're a sole proprietor, you probably don't have a lot of free time. Working hard may be good for business, but it may not be good for your future if you're too busy to think about your retirement.

As a self-employed person, you can establish a retirement plan that provides significant tax advantages and make large contributions annually. Here are a few options that work well for small businesses.

Solo 401(k)s

If you work alone or employ only your spouse, consider opening a solo version of the popular 401(k) retirement plan. Also known as a "solo (k)," "individual 401(k)" or "self-employed 401(k)," it has at least the same — and possibly more — benefits as the version that large companies sponsor for their employees.

- Contributions are tax deductible.
- Contributions and earnings grow tax deferred until distributed.
- Typically, more can be contributed annually than with other plans.
- Loans are permitted.

Costs are generally lower and reporting requirements are generally simpler for solo 401(k) plans than for larger 401(k) plans.

Would you rather Roth?

You can also set up a Roth version of a solo 401(k) plan, which also offers the same high maximum contribution levels and tax-free distributions when certain conditions are met. Your financial professional can tell you more about this option.

The SEP choice

Because of its limited administrative requirements, the Simplified Employee Pension (SEP) has long been a popular plan choice for small businesses. With a SEP, you establish individual retirement accounts for yourself and any eligible employees. Plan contributions are tax deductible, and both contributions and earnings grow tax deferred until withdrawal.

- The maximum contribution limit for a SEP is generally not as high as for a solo 401(k).

- SEP contributions may only be made by the business and not by employees.*
- You don't have to contribute every year.
- There is no Roth SEP option.
- Plan loans are not permitted.
- Administration is simplified.

Timing for taxes

If you're thinking about last-minute tax deductions for 2013, a SEP may be the way to go. You have until your 2013 tax-filing deadline, plus extensions, to start a SEP and take a deduction on your 2013 tax return. Your financial professional can help you determine which retirement plan is right for your business.

* Unless the plan existed before 1997