

## Small Business Retirement

by Judy Loy, ChFC®, RICP® and CEO of Nestlerode & Loy, Inc.

Being your own boss is as popular as ever. From aging Baby Boomers wanting to keep their own schedules to young entrepreneurs trying to build the next Uber or Facebook to women who want to be at home with their kids but still have a fulfilling career, many turn to consulting or their own business to create a living. Times can be tough when you are just starting out but don't let retirement savings take a sideline for too long.

Once money starts flowing to the bottom line, a small business retirement plan can be the ticket to saving taxes and retiring when you want.

Created specifically for small businesses under 100 employees, a Simple IRA allows for tax deductions and tax deferral for employees. It also has a nice employee 2015 contribution maximum of \$12,500 (\$15,500 for those over age 50). The employer must match (1-3%) or contribute (2%) into employee accounts for a Simple so there are costs involved. The plus side is that the administration of a Simple is, well, simple. There are no top heavy requirements or testing needed.

If you want to put money in from your company without employee contributions or if you are a sole proprietor at tax time, a SEP IRA allows for a 'profit sharing' type of arrangement where a chosen percentage of salary can be contributed by the employer for each employee. The nice part of this plan is that reporting requirements are minimal; the contributions can be made after year-end when you know what your numbers are and contributions don't need to be made each year.

For a small business that wants vesting or a sole proprietor that wishes to maximize their contributions, a 401k or an individual 401k can be a good match. Reporting requirements are higher and for a company with more than one employee, the costs are much higher than other small business plans. The advantage is high contribution limits of \$18,000 (\$24,000 for those over age 50) for the employee. The employer can also choose to match or do a profit sharing contribution. 401k plans can also have loan provisions and Roth options, which other small business plans cannot. A 401k can have a vesting schedule for employer contributions, which can help with employee retention and reward longer term employees. The Simple IRA and Sep IRA are vested immediately for employer contributions. Employee contributions are always immediately vested.

The simplest way for an individual to save for retirement is a Traditional IRA or Roth IRA. The contribution limits on these are lower, with a maximum for 2015 of \$5,500 (\$6,500 for those age 50 and over) but administration is low and other employees don't need to be included because it is not based on your business. It should be noted that if you have a retirement plan through another job and/ or are married, income guidelines may still limit your IRA options.

There are many choices and intricacies when selecting the right retirement plan for your business. For more information and to find the right fit for your sole proprietorship or small business, consult with a financial advisor. They can help work through the details, the numbers and your needs and wants.

***Nestlerode & Loy Investment Advisors offer brokerage and investment services to individuals, businesses and non-profits. For a review of your investments and help planning for retirement, please call Judy Loy, ChFC®, RICP® at 814-238-6249 or email [jloy@nestlerode.com](mailto:jloy@nestlerode.com).***