

# Retirement plan options for small businesses

## Valuable opportunity for both you and your employees

January has arrived and that means it is a good time to review your retirement investments. If you are a small-business owner you have the opportunity to pick a retirement plan that is beneficial for both you and your employees.

The type of plan that makes the most sense depends on the unique characteristics of your business. There isn't a "one-size-fits-all" retirement plan. Selecting the right retirement plan for your business can be a complex decision and it is important to consult your financial planner and tax adviser.

Here are some basic ground rules.

You cannot set up a retirement plan that will benefit you but exclude your eligible employees. If you employ full-time — and in most cases part-time — employees, you are required to include them in your plan. In addition, you can't establish the plan to richly contribute for yourself and then contribute little for your employees.

There are rules that you will need to follow. Remember, this is an opportunity for you to offer a benefit that is good for your employees *and* good for you. It can also help you attract and keep talented workers.

So where do you start? The following are key things to consider:

The first important consideration is how much you as the business owner want to contribute. If you don't want or need to contribute a large amount



**When selecting a retirement plan for your business, you have an opportunity to offer a benefit that is good for your employees, while also being good for you.**

to your retirement account then a SIMPLE (Savings Incentive Match Plan for Employees) IRA is a good choice. On the other hand, if you are close to retirement and need to save a lot quickly, a defined benefit pension plan may make sense because you can contribute up to \$195,000 per year.

The SEP-IRA, Self Employed 401(k) and regular 401(k) plans all allow a maximum contribution of \$49,000 per year. All contribution amounts mentioned are for 2011.

The administrative workload of your retirement plan is also an important factor to consider. If you are looking

for a plan that is easier to administer, then a SIMPLE IRA, SEP-IRA, or a Self-Employed 401(k) would be your best options.

If you don't mind the extra administrative burdens, then a 401(k) plan or a defined benefit pension plan may be good choices. The expense associated with a defined benefit plan can be substantial due to its more complex administrative requirements.

If you would like to offer your employees the opportunity to voluntarily contribute to the retirement plan, then consider a SIMPLE IRA or a 401(k).

The number of employees will affect

plan choice. If you are self-employed or have a corporation with no employees other than a spouse, then you should consider a Self-Employed 401(k).

If your company has twenty or fewer employees, you should consider a SIMPLE IRA or SEP-IRA. If you have more than twenty employees, you should consider a 401(k) plan.

Your company's cash flow also matters. If your business has variable income, you may want to consider a SEP-IRA or a profit-sharing plan. These plans don't require that you make contributions each year.

If you want the ability to borrow from your retirement account, then consider the 401(k), Pension Plan or profit-sharing plan.

As you can see there are many variables to consider. The type of retirement plan you choose is unique to your business.

To help narrow down your choices, take a look at the nearby table. Circle every item that applies to you, or that you prefer. When you are finished, you will likely find one or two of the retirement plans appear to be best for your business.

Give your financial planner and accountant a call to start the process. Now is a great time to review your existing retirement plan or set one up for the first time. You and your employees will benefit for years to come.

— Craig Larsen,  
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Important Considerations	Self Employed 401k	SEP-IRA	SIMPLE-IRA	401k	Defined Benefit Pension	Profit Sharing Plan
<b>Business Eligibility</b>	No employees other than spouse. Self employed OK.	Any Business.	Employers with fewer than 100 employees.	Any Business.	Any Business.	Any Business.
<b>Employee Eligibility</b>	None, since plan can't be used if there are employees.	Worked three of the past five years and earned more than \$550 last year.	Employees who have earned more than \$5000 in any of the previous two years, and will earn at least \$5000 this year.	Employees who have worked at least 1,000 hours in the past year, or if immediately vested, two years.	Employees who have worked at least 1,000 hours in the past year, or if immediately vested, two years.	Employees who have worked at least 1,000 hours in the past year, or if immediately vested, two years.
<b>Contribution Limit For The Employer</b>	25% of compensation up to \$49,000 (max for combined employer/employee contribution)	25% of compensation or 20% for self employed. \$49,000 Max. Owner and employee contribution must be the same percentage.	Mandatory 3% dollar for dollar match, or 2% non-elective contribution. Max \$4,900.	Combined employer and employee contribution can't exceed \$49,000 (\$54,500 if over 50)	Up to \$195,000. Amount determined by actuary hired by the business. Contribution can be more for older employees.	25% of compensation or 20% for self employed. \$49,000 Max.
<b>Contribution Limit For The Employee</b>	\$16,500 (\$22,000 over 50)	Not Allowed	\$11,500 (\$14,000 over 50)	\$16,500 (\$22,000 over 50)	Not Allowed	Not Allowed
<b>Annual Contribution Required</b>	No	No	Yes	Yes, if the plan has immediate vesting.	Yes	No
<b>IRS Reporting Requirement</b>	Yes, if assets exceed \$250,000	None	None	Yes	Yes	Yes
<b>Administrative Burden</b>	Very low	Very low	Very Low	Higher	Very High	Higher
<b>Loans allowed</b>	No	No	No	Yes	Yes	Yes

All Amounts Are For 2011

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For a list of eight important things to consider for a secure retirement, visit:

[www.ahcadvisors.com/report](http://www.ahcadvisors.com/report)

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