

## The Solo 401(k) Plan

When it comes to planning for retirement, a conversation with the Human Resources Department can help you put your mind at ease. But what happens when you are self-employed and the Human Resources Department is you?

Research shows that only 13% of self-employed people running a single-person business are participating in any kind of retirement plan. If you are your own Human Resources Department, it may behoove you to think about a solo 401(k) plan.

With a solo 401(k) plan, you may be able to put away up to \$56,000 annually for retirement. If you are over 50, you can contribute an additional \$6,000 in "catch-up" contributions.

Think of yourself as two separate people; the employee and the employer. As the employee, you can contribute up to \$19,000 a year to your solo 401(k). As the employer, you may make an additional profit-sharing contribution capped at 25% of your salary. These contributions are treated as pre-tax contributions for the employee and are a deductible business expense for the employer.

Even if you are not a W-2 employee and treat your business profits as pass through income of Schedule C income, you may still contribute to a solo 401(k). In this case, your compensation is determined by deducting contributions and half of your self-employment tax from your net earnings. All employee

and employer contribution limitations remain the same.

The solo 401(k) plan is only available to those single person businesses with one sole exception; your spouse. If your spouse also earns income from your business, they can make contributions equal to the business owner which could effectively double the amount you contribute as a family.

With the burden of retirement planning falling on you as your own Human Resources Department, it is important to know your options and maximize the opportunities available to you.

*Kelvin J. Garcia, CPA*

*kelvin@avmdemars.com*

2019 Tax Organizers are now available. Please contact us if you would like one emailed to you.



AVMD is once again supporting The Hance Family Foundation by participating in their annual Toy Drive. We will be collecting toy donations at our office from now until December 13th. The gifts benefit needy children, ages infant to 16 year olds. All of the gifts are hand-delivered by The Hance Family Foundation and their team of elves. Each donated toy is not just contributing to the toy drive, but contributing to a smile on a child's face on Christmas morning.

A great big thank you to everyone who has already donated!!

## Accountant Holiday Humor

It's Halloween and when the man answers his door, there's a well-dressed young boy there wearing a suit and matching tie who says "Trick or Treat". The man's a bit confused so he asks the boy what he's dressed up as. "I'm an IRS agent", says the boy, and with that he snatches 40% of the candy and leaves without saying thank you.

Happy Thanksgiving!!