



Longman

WEALTHCARE
MANAGEMENT, LLC

Pensions - Benefits of a Qualified Retirement Plan

Dear Client:

As a business person, one of your goals is probably to ensure a comfortable, financially secure retirement. Maybe up until now you have been making IRA contributions. That's a good start, but you can do a lot better with a qualified retirement plan. These plans allow you to make much larger tax-deductible contributions than you can with an IRA. And like an IRA, the contributions earn tax-deferred income. You don't owe tax until you take payouts from the plan, and there are even some tax breaks available then.

It's relatively easy for a one-person operation or family-operated business to decide what kind of qualified retirement plan to set up. The choices are more complicated when the business has non-family employees, because they generally have to be covered by the plan, too.

Working within the rules, however, a plan usually can be designed to give owners the benefits they need while keeping overall plan costs at a tolerable level. This can be done by establishing minimum age and service requirements. Also, plans can be set up so that employees aren't entitled to their accrued benefits unless they've been in the plan for a minimum number of years. Plans also can be designed so that proportionately more contributions go to those above the social security wage base, as long as all plan participants receive certain minimum amounts. Using a popular 401(k) arrangement can help keep employer costs down, too, because some or all of the contributions come from employees' regular salaries.

Having a company retirement plan also has many intangible benefits. It's easier to recruit and retain a quality labor force if the company has a retirement plan. And employees will often settle for a lower salary in exchange for retirement security.

Whether or not to go with a plan, and, if so, what kind requires an analysis of many factors. There are numerous variations on qualified plans that can work in different situations. If you think you could benefit from setting up a plan, we would be happy to explore the options with you to help you come to a decision that is right for you.

Sincerely yours,

Thomas J. Longman CPA, PFS
Registered Investment Advisor