



Solo 401k Plans

The Watson CPA Group acts as a Third Party Administrator (TPA) for small business owners who want to implement a solo 401k plan. This service is available to a single-owner business or a husband and wife team. The 401k plans that we create have Roth options, and in-service rollovers (in and out).

You can take our plan and custody it with any of the major brokerage houses.

There is a one-time set up fee of \$500 which is a tax credit for small business owners. This fee is not a deduction, but rather it is a credit where you get dollar for dollar returned to you.

Our annual plan fee is \$250, however this is waived if your business subscribes to one of our S Corp Packages.

If you need investment advice, we recommend our sister company, SFD Capital. Because of rules and regulations, CPA firms cannot offer investment advice. Therefore we created a separate Registered Investment Advisor firm called SFD Capital. It is spear-headed by Tina Watson, CPA, CFP® and Sally Rhoades, CPA, CFP® who are both Certified Financial Planners (CFPs). Yeah, we have to put that dorky ® after CFP. Their rules.

SFD Capital's investment strategy is two-fold. First, proper financial planning is done to determine your objectives and risk tolerances. Second, they create buckets that are divided up into short-term (1-3 years), mid-term (3-10 years) and long-term (more than 10 years).

In a theoretical world if you had unlimited time you can assume unlimited risk. Unfortunately no one gets out of this thing alive and father time is undefeated. The short-term bucket is reserved for emergency cash and immediate purchases. Low risk.

The mid-term bucket has a longer horizon, and therefore is a blend of actively managed funds and index funds. Mid-term buckets are designed for other investments or purchases that will come up in the next 3 to 10 years, such as acquiring a rental or buying a second home.

The long-term bucket is primarily filled with 2-3 index funds based on the S&P 500. Too often SFD Capital sees people invested into a dozen or more mutual funds in a variety of niches such as international or sectors. This is the illusion of precision in their opinion. Index funds provide market returns with very low fee ratios. The vast majority of managed funds do not outperform the market. They have their place, for sure, but not in a long-term bucket.

Generally speaking, SFD Capital's annual investment advisory fee is 0.7% of your assets in your 401k plan. They can also manage your other IRAs and brokerage accounts. For those clients who simply want investment advice there are annual flat rate plans that are customized for your specific needs. SFD Capital uses TD Ameritrade as its custodian.

Let's set up a time to chat about how your business can be leveraged for your retirement planning!

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401k Plans

Creating a 401k plan is a great way to increase retirement savings beyond the traditional IRA and SEP IRA.

Benefits

Benefits of a 401k plan blow away traditional IRA and SEP IRA savings because of higher contributions, no income phaseouts and Roth options-

-  **Higher Contributions.** Participant (employee) deferrals up to \$18,000 (or \$24,000 if 50 years old or older). As you recall, a business owner who operates an S corporation is both an employee and shareholder.
-  **Roth 401k.** Deferrals can be made into a post-tax account with your 401k plan, and grow tax-free like a Roth IRA but without the income limitations of a normal Roth. Therefore \$18,000 (or \$24,000 if 50 years old or older) can be deferred into a Roth 401k.
-  **Two Accounts.** Many 401k plans do not allow for post-tax / Roth contributions, but the ones offered through SFD Capital create two accounts for each participant- one for pre-tax and one for post-tax.
-  **Company Contributions.** Company contributions can be 25% of W-2 salaries, and are considered pre-tax contributions since it is a deduction for the company (and subsequently one for the shareholder).
-  **Wide Open Flexibility.** Unlike 401k plans offered by Vanguard, Fidelity, etc. the choice of funds and investments is not limited. Under SFD Capital, the business owner has a choice of thousands different funds and investments that are selected specially to meet 401k plan objectives. Plan assets are held at either TD Ameritrade or Charles Schwab with online access for each participant.

Third Party Administration (TPA)

401k plan documents are created by Watson CPA Group who acts as a TPA separate from SFD Capital. TPA's ensure contributions are correctly computed, perform the necessary administration of participant enrollment, and maintain compliance with the annual IRS Form 5500 filings.

Fees

A 401k plan needs two things- a plan document administered by a TPA and custodial services (asset management)

-  **Plan Fee.** The 401k plan document created and maintained by the Watson CPA Group has an initial plan document fee of \$500 for individual 401k plans including husband and wife teams. The annual plan document fee is \$250 but this fee may be waived. More information is available directly from Watson CPA Group. There is a first year credit for business owners of \$500 who set up a retirement plan.
-  **Asset Management.** Annual asset management fees are low at only 0.7% of the plan's value. Be careful of "free" 401k plans. You don't work for free, and you shouldn't expect others to do so. Free 401k plans are usually backfilled with high cost investment choices or other hidden fees.

401k Plan Comparison to SEP IRA and IRA

	401k Plan	SEP IRA	IRA
Contribution Limits	\$18,000 plus \$6,000 if 50 years old or older	25% of your W-2	\$5,500 plus \$1,000 if 50 years old or older
Company Contribution	25% of your W-2	None	None
Roth Contributions	Yes	No	Possibly
Income Phaseouts	None	None	Yes
Employee Contribution	3%	Same as you (yuck)	None
Plan Fee	\$250 (may be waived)	None	None
Asset Management Fee	0.7% (max \$3,500 / yr)	0.7% (max \$3,500 / yr)	0.7% (max \$3,500 / yr)

Maximum Contribution Comparison

Salary/Income	Entity	Max 401k	Max SEP IRA	Max SIMPLE
40,000	Sole Prop	25,435	7,435	13,583
40,000	Corporation	28,000	10,000	13,700
60,000	Sole Prop	29,152	11,152	14,124
60,000	Corporation	33,000	15,000	14,300
80,000	Sole Prop	32,870	14,870	14,665
80,000	Corporation	38,000	20,000	14,900
144,000	Sole Prop	44,837	26,837	16,408
144,000	Corporation	54,000	36,000	16,820
175,000	Sole Prop	50,954	32,954	17,299
175,000	Corporation	54,000	43,750	17,750
216,000	Sole Prop	54,000	41,044	18,477
216,000	Corporation	54,000	54,000	18,980

\$54,000 is the maximum under a 401k or a SEP IRA. However, there are profit-sharing plans and cash balance plans (defined benefits pensions) that can increase this limit to well over \$100,000 (based on age). For more information, skim the next page and also visit our website-

www.watsoncpagroup.com/turbo

2017 Contribution Limits

401(k) PROFIT SHARING & CASH BALANCE PLANS

Age	401(k) with Profit Sharing*	Cash Balance	Total	Tax Savings**
Above 65	\$60,000	\$251,000+	\$311,000+	\$139,950
65	\$60,000	\$251,000	\$311,000	\$139,950
64	\$60,000	\$257,000	\$317,000	\$142,650
63	\$60,000	\$263,000	\$323,000	\$145,350
62	\$60,000	\$268,000	\$328,000	\$147,600
61	\$60,000	\$254,000	\$314,000	\$141,300
60	\$60,000	\$241,000	\$301,000	\$135,450
59	\$60,000	\$228,000	\$288,000	\$129,600
58	\$60,000	\$217,000	\$277,000	\$124,650
57	\$60,000	\$205,000	\$265,000	\$119,250
56	\$60,000	\$195,000	\$255,000	\$114,750
55	\$60,000	\$184,000	\$244,000	\$109,800
54	\$60,000	\$175,000	\$235,000	\$105,750
53	\$60,000	\$166,000	\$226,000	\$101,700
52	\$60,000	\$157,000	\$217,000	\$97,650
51	\$60,000	\$149,000	\$209,000	\$94,050
50	\$60,000	\$141,000	\$201,000	\$90,450
49	\$54,000	\$134,000	\$188,000	\$84,600
48	\$54,000	\$127,000	\$181,000	\$81,450
47	\$54,000	\$120,000	\$174,000	\$78,300
46	\$54,000	\$114,000	\$168,000	\$75,600
45	\$54,000	\$108,000	\$162,000	\$72,900
44	\$54,000	\$102,000	\$156,000	\$70,200
43	\$54,000	\$97,000	\$151,000	\$67,950
42	\$54,000	\$92,000	\$146,000	\$65,700
41	\$54,000	\$87,000	\$141,000	\$63,450
40	\$54,000	\$82,000	\$136,000	\$61,200
39	\$54,000	\$78,000	\$132,000	\$59,400
38	\$54,000	\$74,000	\$128,000	\$57,600
37	\$54,000	\$70,000	\$124,000	\$55,800
36	\$54,000	\$66,000	\$120,000	\$54,000
35	\$54,000	\$63,000	\$117,000	\$52,650
Under 35	\$54,000	Up to \$60,000	Up to \$114,000	Up to \$51,300

*401(k): \$18,000; \$6,000 catch-up; \$36,000 profit sharing

**Assuming 45% tax, varies by state. Taxes are deferred.

For more information about Cash Balance plans, visit CashBalanceDesign.com or call (877) CB-Plans