MAY 23-29, 2005 SAN DIEGO COUNTY'S AWARD-WINNING BUSINESS WEEKLY WWW.SDBJ.COM $2.00

SAN DIEGO BUSINESS JOURNAL

Small Business Help Line

Owners Should Plan for Retirement Sooner

Questions: How do I start planning for retirement?

Answer: Many business owners often trade tomorrow's retirement planning for today's successful company and with the many demands placed on small business, owners aren't usually focused on retirement.

The good news is that when you are self-employed, you have more choices about how to save for retirement and when to retire.

When choosing a plan, it's important to examine the following: the best investment vehicle, the business and employees, the maximum amount for yearly investment, plus set-up difficulty, administrative complexity, administration costs and tax ramifications.

(Tax ramifications are important, because with the right retirement plans, you reduce and streamline tax obligations.)

The new self-employed 401(k) plan, or solo 401(k) plan, is geared toward self-employed individuals who have no employees or works with their spouses. This plan allows workers to contribute a percentage of income and adds an amount parallel to the voluntary contribution that workers who are employed can put into conventional 401(k) plans.

The mechanics of setting up a solo 401(k) plan are a lot less cumbersome than other small business plans and the administrative costs are low. The biggest disadvantage is that the limit for total contributions cannot exceed $44,000.

SEP plans are another easy and low-cost retirement route to consider. They can provide a significant source of income at retirement by allowing employers to set aside money in retirement accounts. Under a SEP, employers contribute directly to traditional individual retirement accounts for all employees and themselves.

Also, there are minimum administrative burdens, including less paperwork and little or no start-up costs. These plans also have a higher contribution limit when compared to the traditional IRA. The good thing is there are no minimum contribution amounts. Employer contributions are not mandatory every year so you can vary your contributions each year based on the amount of extra money available to save and there are many tax advantages to the plan.

Remember, investments are but one aspect of financial planning. It's important to make other preparations, such as will planning, and that long-term medical and life insurance are in place to increase the likelihood of a comfortable retirement.

Provided by the partners of the Coghlan Financial, which specializes in financial planning, retirement and estate planning, risk management, portfolio design, asset management services and financial goal integration. For more information, visit www.cfgretire.com or call (800) 884-5121.