

Custom Built Tax-Strategies: A Small Business Guide to Enhanced Retirement Savings

As a small business owner, it's easy to take your latest earnings and plough it right back into the company. It makes sense; spend money now to make money later, capitalize on the gains before the moment passes. Small business owners are masters of keeping an eye on the bottom line because their company IS their livelihood, and more often than not, their life's work. The responsibility that comes with that burden promotes vigilance and surviving for the next day. But eventually, every owner has to hang it up, retiring whether they want to or not. When preparing for that day, there is an incredible strategy available to business owners that can boost retirement savings using an intricate but not well-known process.

A 401k is a godsend to those who plan ahead for retirement and can make steady, consistent contributions in light of market-fluctuations and over decades of investment. But many small business owners don't have that luxury, especially early in their careers; if the manufacturing equipment falls apart, an employee is injured or anything at all threatens the company, jumping through hoops to pull capital out of a 401k may not be a viable option. Also, with a relatively small cap on maximum investment contributions, a regular 401k may not cut it when planning decades of retirement spending and medical bills. How can you make up that gap in a short period of time?

Enter the Custom Built Tax-Strategy Plan. These plans provide an accelerated profit-sharing framework that surpasses a regular 401k retirement account with a defined-benefit plan or pension. With enhanced tax deduction potential, a business owner may be able to achieve 10 or 20 times the contribution limits of a regular 401k, allowing small business owners to race to the finish line of retirement with every advantage they can get. This type of a plan even allows for employees to participate in the 401k plan, going as far as granting access to high-value employees who can share in some of the savings!

It doesn't stop there. As a business owner, you aren't locked into an employer-sponsored framework forever. Like with a generic 401k, a vested employee can roll over their 401k funds into an IRA account for continued tax-deferred status, ensuring that the contributions remain available for use. The benefits from utilizing these tax-deferred accounts is that owners retain a great deal of control over the investment options available to them and can better protect the funds from lawsuits or bankruptcy.

Before we continue, I know you're thinking; what's the catch? Why doesn't everyone take advantage of this type of planning? Why do most companies just use a regular 401k?

It is true; this plan isn't the plan for everyone. It relies on the small business owner who is profitable, to maximize tax deferments. At the end of a long and successful career, many owners don't know what their outlook is for the foreseeable future, at least in terms of predictable revenue flow. But many of those owners agree that an extra \$1.5 to 2.5 million dollars would be great to have during retirement. Those types of owners are the ones who benefit the most. To take advantage of this plan alone is virtually impossible. Working with the right advisor who can help design a contribution schedule and navigate planning issues is absolutely critical to maximize the value of this strategy and without unintentionally running afoul of IRS rules and regulations. Very few advisors know how to structure or administer these plans so most just take the simple route of recommending a standard 401K plan. While this standard

approach may be simpler and easier to understand, it does not adequately help a profitable business owner who is paying too much in taxes.

Building and designing these plans is a specialty of Podell Financial Group. It goes hand-in-hand with our commitment to custom tax-strategies for business owners and the self-employed. We help design and manage these retirement plans for successful companies using tailored tax-advantaged designs to maximize deductions. Working with our clients' existing advisors, we have been able to better position them with an enhanced financial position and increased control of their company's profits. Podell Financial Group has been at the forefront of leveraging this strategy and other sophisticated approaches on behalf of qualified clients.

When all's said and done, if you're the type of business owner who is looking to improve their future financial standing quickly and with confidence, these hybrid plans are an excellent option to consider. Pick the right guide, and build a strong financial foundation to carry you through to your retirement goals.

About the Author

David Podell has been advising business owner clients for the last 15 years. He has been recognized in the industry a top producer and is sought out by other advisors for his expertise in this area. He works with clients around the country and can be reached at 973-227-8001.

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Before rolling over the proceeds of your retirement plan to an Individual Retirement Account (IRA) or annuity, consider whether you would benefit from other possible options such as leaving the funds in your existing plan or transferring them into a new employer's plan. You should consider the specific terms and rules that relate to each option including: the available investment options, applicable fees and expenses, the services offered, the withdrawal options, the potential flexibility around taking IRS required minimum distributions from the option, tax consequences of withdrawals and of removing shares of employer stock from your plan, possible protection from creditors and legal judgments and your unique situation.