

Pensions for All Sizes

Small business owners don't have the luxury of a company pension with a company match or a defined benefit plan where the company will pay you a percentage of your salary for life when you retire. Owners have to fend for themselves. Navigating the ERISA laws and determining what they need to offer employees can be a daunting and expensive task. However, there are several inexpensive, easy to set up and maintain plans specifically designed for the small business owner.

IRA and Roth IRA (Individual Retirement Accounts): Nothing flashy here! The appeal of the IRA is that anyone can open one very easily almost anywhere and you do not have to worry about offering anything for your employees. The drawback is that as of 2011 you can contribute a maximum of \$5,000 or if you are over age 50 \$6,000. Traditional IRAs allow you to deduct your contributions from your income and have your investment grow tax deferred but all withdrawals will be fully taxable as ordinary income. If you are not over the age of 59½, with few exceptions, you will pay a 10% penalty on withdrawals. Unlike Traditional IRAs and other pensions, Roth IRAs do not allow for a deduction off your income but all qualified future distributions are tax free and Roth IRAs are not subject to required minimum distributions.

SEP (Simplified Employee Pensions): SEPs are in many ways glorified IRAs but they allow you to contribute considerably more than an IRA. For 2011 investors may contribute up to the lesser of \$49,000 or 25% of eligible compensation with a \$245,000 compensation cap per employee. However, employers must also make an equal percentage contribution for all employees. These plans are especially effective for sole proprietors with few or no employees. There is very little cost (less than \$50 in most cases) and are very easy to set up and maintain.

SIMPLE IRA (Savings Incentive Match Plan for Employees): For small businesses under 100 employees, looking for a plan similar to a 401k, but with less costly and simpler administration rules. Like the SEP the employer is responsible for making some form of contribution to the employee's account but the employee can also choose to defer a percentage of their income. Employee contributions are limited to \$11,500 (\$14,000 over age 50) in 2011 vs. \$16,500 (\$22,000 over 50) for a 401k plan.

For questions or comments please email or call Steve at Scholar Wealth Management LLC.
Warm Regards,

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All investments are subject to inherent risks, including possible loss of the principal amount invested. The value of your IRA will be solely dependent upon the performance of any investment instrument chosen by you to fund your IRA. Therefore, no projection of the growth of your IRA can be guaranteed. There are certain fees and charges connected with the investments you may select for your IRA and there may be certain fees and charges connected with the IRA itself. These fees and charges are more fully explained in the National Asset Management Disclosure Brochure. Securities offered through National Securities Corporation (NSC), Member FINRA/SIPC. Advisory Services offered through

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