



WHAT'S INSIDE?

Employer Plans for Small Businesses

- SEP IRAs
- SIMPLE IRAs
- Qualified / 401(k) Plans
- Putting It All Together

<Pages 1-4>

IRS Finally Says Back-Door Roths Are OK!

- Back-Door Roth IRA Basics

<Page 4>

U.S. Supreme Court Rules That State Laws Removing Ex-Spouse as Beneficiary Work

- Court Says the Revocation upon Divorce Law Is Constitutional
- About IRAs... *The Lazar Case*
- ERISA and Federal Preemption

<Pages 5-6>

Guest IRA Expert

Walter Pardo

CWS®, PPC®

CEO

Wealth Financial Partners
Liberty Corner, NJ

Be Diligent About Distribution Planning

<Pages 7-8>

Join the Retirement Planning Conversation



Employer Plans for Small Businesses

As employees begin to look forward to their end-of-year bonus or annual raise, employee benefits, like a retirement plan, are often overlooked. This is not so for the self-employed or small business owner who knows all too well the tedious challenges of adopting an effective retirement blueprint.

The most common retirement plan solutions for small businesses and the self-employed are Simplified Employee Pension (SEP) IRAs, Savings Incentive Match Plan for Employees (SIMPLE) IRAs, and defined contribution qualified plans. IRA accounts are generally cheaper to adopt and easier to administer and communicate to employees. However, they normally produce lower maximum contributions and have less options than qualified plans.

SEP IRAs

The SEP IRA is a traditional IRA program that can be adopted by self-employed individuals or small business owners by simply executing an IRS model Form 5305-SEP. This form, or a similar form provided by an IRA custodian, is mandatory for the establishment of the SEP plan by the employer. Each participant is also required to complete a traditional IRA adoption agreement to establish their individual accounts under the SEP plan. Contributions are made on

an annual basis, must generally be a uniform percentage of compensation, are fully vested when made, and are tax deductible for the business. Importantly, contributions do not have to be made each plan year and the amounts can vary.

For a small business with employees, the maximum contribution that can be made for each employee is the lesser of 25% of compensation or the indexed dollar limit for the year (i.e., \$55,000 for 2018 and \$54,000 for 2017). Additionally, the compensation that can be taken into account is capped. For 2018, the maximum amount of salary that can be considered is \$275,000 (up from \$270,000 for 2017).

For the self-employed, the rules are a little different and much more complicated. While the same contribution limits apply, the contribution is based on earned income, which is net profit (i.e., take home earnings after deductions and expenses). This can be found on the Schedule C of Form 1040 (sole proprietorships) or Schedule K-1 (partnerships). However, the deduction for half of the self-employment tax, as well as the deduction for the SEP IRA contribution itself, *must* be included.

While this circular calculation can be confusing, a good rule of thumb

ED SLOTT AND COMPANY'S
Instant IRA Success eSeminar
Now Available ▶ On Demand

ONLINE EDUCATION
WITH AMERICA'S
IRA EXPERTS

GO TO IRAHELP.COM/ESEMINAR FOR MORE INFO