

INCREASE RETIREMENT SAVINGS: OWNER-ONLY 401(k) OVERVIEW

QUALIFIED RETIREMENT PLAN WITH FLEXIBILITY

- The Individual 401(k) Plan is a qualified retirement plan designed specifically for the small business owner.
- Typically, it allows for higher contributions than an SEP or SIMPLE plan while providing the same tax benefits of a general 401(k) plan, but comes without the high costs and standard employee/employer structure.
- The plan combines the features of a 401(k) with a profit-sharing plan.
- It allows for employee salary deferrals and a profit-sharing contribution that may be tax deductible.
- Annual contributions are optional.

SALARY DEFERRALS/EMPLOYER CONTRIBUTIONS

- Participants can defer up to the lesser of 100% of salary or \$18,000 for the 2017 plan year.
- Participants 50 years or older can defer an additional \$6,000 for the 2017 plan year.
- The maximum tax deductible employer (profit sharing) contribution is 25% of total compensation made to the participants in the plan.
- Total individual 401(k) salary deferral and profit sharing contribution cannot exceed \$54,000 for 2017 plus \$6,000 if age 50 or older).
- If the plan sponsor is also funding a defined benefit (DB) plan in the same year, the maximum tax deductible employer (profit sharing) contribution is limited to 6% of total compensation made to the participants in the plan.

TURN-KEY SOLUTION

INDIVIDUAL 401(k) PLAN CAN BE ESTABLISHED IN A FEW SIMPLE STEPS

- Client reviews and completes the Set-up Questionnaire.
- Client signs and sends the questionnaire with a check for \$200 payable to Dedicated Defined Benefit Services.
- Dedicated DB calculates allowable contribution amount and provides a Trust Identification Number (TIN) to advisor.
- Advisor opens investment account.
- Plans must be established by the end of the business fiscal year, generally December 31.
- Contributions are typically due when taxes are filed, but no later than 9½ months after the end of the fiscal year.
- Salary deferrals for participants in corporations are due within 15 days following the end of the fiscal year.
- Annual contributions are optional.

KEY PROSPECTS

- Business entities including sole proprietorships, LLCs, S-corporations, C-corporations, and non-profit organizations.
- Business owners who employ their spouse and excludable part-time or seasonal employees.
- Business with full-time rank and file employees may not open Individual 401(k) plans.

INVESTMENT CHOICES

- The plan's open architecture allows assets to be invested in mutual funds, bonds, equities, annuities, or any other marketable securities that you and your clients select.
- Clients have the flexibility to diversify across a selection of investment choices with the objective of maximizing potential growth and minimizing portfolio volatility.

SAMPLE CLIENTS

TOM

Tom, age 35, is an independent software engineer sole proprietor whose earnings vary from year to year. He has a contract through the end of 2017 that will pay him at least \$135,000. He will open a 401(k) and could contribute up to \$43,090. If his income goes down next year, he can contribute less to his plan.

CHRISTINE

Christine, age 52, is paying herself \$150,000 in W-2 income from her incorporated accounting practice. She will set up a 401(k) retirement plan. She chooses to defer the maximum \$18,000 (2017 limit) plus \$6,000 catch-up allowance. In addition, as the employer, her company can contribute up to \$36,000 for total contributions of \$60,000.

LUCY AND LEN

Lucy and Len, both age 40, have a real estate brokerage in a hot real estate market. By making elective deferral contributions and employer contributions, they expect to have a great year, with each earning more than \$175,000. They can contribute a combined maximum of \$108,000 to their Individual 401(k)

NOTE: Case studies are illustrative only and do not imply an endorsement of any particular product or service. Each situation is unique and results may vary.

The client samples above are hypothetical and reflect an example of individual situations. The samples provided do not imply an endorsement of any particular product or service. Individual results and satisfaction may vary.

Get in touch:



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Instant DB Calculator (Estimate your clients' maximum contributions and savings)

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