UNLOCK YOUR BUSINESS POTENTIAL

RETIREMENT PLANS FOR SMALL BUSINESSES
Have You Planned For Retirement?

Small businesses are the backbone of the American economy. The amount of responsibility that you face as a small business owner can make creating a work/life balance difficult, and researching and deciding on a suitable retirement plan for you and your business is likely to fall by the wayside. But failing to plan can lead to a less than ideal retirement. You deserve a plan that provides both security and tax relief.

Consider the Benefits for You and Your Employees

When deciding on a retirement plan, many small business owners opt for a tax-deferred option that will allow them to save money and care for their principal employees. But, retirement plans aren’t just a retention strategy; they are also a solid recruitment strategy. Having a retirement plan in place tells a potential job candidate that you care about your employees and that your business is thriving.

Retirement Plan Benefits for Employers

- Increased retirement savings
- Tax deductions for your business
- Improved recruiting and retention of quality employees

Retirement Plan Benefits for Employees

- Tax reductions and tax-deferred growth
- Possible employer contributions
- Disciplined approach to saving for retirement
List and Prioritize Your Needs

Finding the right retirement plan is a lot like finding a house to call home. It needs to feel right and meet your needs today as well as in the future. Your HD Vest Advisor can help you define and prioritize your needs. Once you and your HD Vest Advisor have listed your retirement plan must-haves, the next step is to decide who will participate in your plan and which option(s) are the most affordable and appropriate for your business model.
Examine Your Plan Options

The following are the most common retirement plans for small businesses:

- **401(k) plans** — offer the most flexibility and the largest/greatest amount of salary deferral.
- **SEP IRAs** — are easy to start and completely funded by the employer.
- **SIMPLE IRAs** — are solid and affordable and permit both employer and employee contributions.

**Traditional 401(k) Plans**

This plan allows you and your employees to make consistent, tax-deferred contributions at high deferral limits. It also offers maximum flexibility and employers have discretion over whether to make contributions for all participants, match employees’ deferrals, do both, or neither. In addition, a Roth deferral option is available with this plan.

**Considerations:** Contributions may be subject to a vesting schedule, and annual testing may be required to ensure that benefits for rank-and-file employees are proportional to benefits for owners/managers.

**Simplified Employee Pension IRA (SEP IRA)**

While it may not have all the trimmings of a 401(k) plan, setting up and maintaining this plan is fairly easy. Self-employed individuals or small business owners can make contributions toward their own retirement and their employees’ retirement without any hassle and administrative costs. You are not subject to a vesting schedule, and you are able to make strictly discretionary contributions, which can be deducted as a business expense.

SEP IRAs can also be a motivational tool for your employees. You can elect to increase your contributions as your profits increase, which can inspire your team to work harder to boost the company’s bottom line. In addition to having the option to increase your contributions, you can terminate this plan at any time.

**Considerations:** You must contribute for all eligible employees. Unlike 401(k) plans, there are no Roth deferrals, loan or catch-up options for investors older than 50.
Savings Investment Match Plan for Employees IRA (SIMPLE IRA)

This is a flexible and affordable option for small business owners with 100 or fewer employees that is not subject to IRS testing and reporting requirements. Not only can you deduct contributions as a business expense, but you can share the burden of costs with your employees.

Considerations: The employee contribution and catch-up-after-50 limits are substantially lower than they are with the 401(k) option.

Profit-Sharing Plan

This plan allows employers to share a percentage of the company’s profits with their employees. Contributions are discretionary, and you have the freedom to choose a vesting schedule.

Considerations: This plan includes administrative costs and complicated reporting. It also requires some checks and balances to ensure that benefits do not discriminate in favor of your highly compensated employees.

Defined Benefit Plan

This plan is an option for highly compensated small business owners in their 50s with just a few employees and little saved for retirement. This plan allows you to make substantial contributions in an effort to retain financial dignity in retirement.

Considerations: This plan can be expensive and complicated to establish and maintain, as it requires mandatory contributions and expensive actuarial calculations.

Different plans have different features including eligibility, contribution types and levels, vesting options, and retirement age requirements. First, it is important to choose a plan based on your and your business’ needs. Once you and your HD Vest Advisor decide on a plan, you can tailor it accordingly.
Seek Experienced Advice

Your HD Vest Advisor understands that your business may be small, but your retirement dreams are anything but small. They are prepared to help you find affordable retirement solutions that benefit you, your spouse and your employees, allowing you to keep your focus where it should be—on running a successful business.

Together you and your Advisor can implement tax-deductible contribution retirement strategies that offer security and harvest tax-deferred growth that boosts your bottom line. Instead of focusing solely on quick-win strategies that score you short-term tax savings, or leaving your golden years to chance, you can begin taking advantage of a long-term plan that offers you peace of mind when you retire, generates tax savings over the long haul and helps you recruit and retain top-notch employees right now.

If you already have a strategy in place, your Advisor can do a cost/benefit analysis to ensure it is the best fit for you and your business. Your Advisor knows the full scope of your financial picture, which makes him or her more than equipped to address your and your business’ retirement needs holistically. Plus, our Advisors are backed by HD Vest Retirement Specialists who provide technical support and specialized training to ensure you are paired with the best solutions possible.

About HD Vest

Since its inception in 1983, HD Vest Financial Services® has supported an independent network of tax and non-tax professionals who provide comprehensive financial services including securities, insurance, money management services, and banking solutions. Ranked as one of the top 20 independent broker-dealer firms1, with 4,600 independent contractors managing over $37 billion in assets for individuals, families and small businesses in all 50 states.2

1Think Advisor, 2015 Broker-Dealer Reference Guide, which measured/ranked the top 25 independent broker-dealers by annual revenue.
2As of January 1, 2016

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