

**An Innovative Retirement Savings Opportunity  
for the One-Person Business**

If you're the owner of your own business, you're probably aware that 401(k) plans never held any special advantages for self-employed individuals or small business owners. However, just because you have no employees doesn't mean you shouldn't have a retirement plan. In fact, according to the U.S. census bureau, nearly three quarters of all U.S. businesses have no employees.

**David A. Wood  
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Historically, most single-person businesses have not established a retirement plan because high administrative costs have made it impractical. Thanks to several important changes in the Economic Growth and Tax Relief Reconciliation Act of 2001, you now have the opportunity to start your own personal 401(k) with low administrative costs and high contribution limits. This new retirement planning opportunity is the sole proprietor 401(k) plan.

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**The benefits of sole proprietor 401 (k) plans include:**

**Generous Contribution Limits**

For 2005, the limit for employer and employee contributions to 401(k) retirement plans has substantially increased. Individuals can defer up to \$14,000 as employee contributions or \$18,000 if they are age 50 or older. In addition, a 25 percent deductible employer contribution can also be made. Annual combined contributions have risen to \$42,000 (not exceeding 100 percent of salary.)

**Tax Deduction**

The business receives a tax deduction of 100 percent of the employee salary deferrals and 25 percent of the employer contribution if incorporated or 20 percent if unincorporated.

**Increased Flexibility**

Contributions are discretionary and do not have to be made every year.

**Inexpensive to Maintain**

There is no complicated discrimination testing, and 5500 forms only need to be filed once plan assets reach \$100,000. Some plan sponsors are offering these plans for significantly less than a traditional 401(k) plan.

**Convenient Roll Over Element**

Money can be rolled into this plan from most tax-deferred retirement plans.

**Unique Loan Feature**

Loans may be available to participants, including unincorporated business owners.

**Protection From Creditors**

Assets inside 401(k) plans are protected from creditors.

Determining which retirement plan best fits your overall investment program can be a difficult task. David Wood (at 502-875-5231) can help you develop a disciplined approach to saving for retirement. This article is not intended to provide tax advice. Be sure to consult your tax professional regarding your individual circumstances.