

## BenefitsPro

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### Solo 401(k)s winning favor

Solo 401(k) plans are the retirement vehicle of choice for the self-employed, according to a survey of financial professionals by the IRA Financial Group.

More than 80 percent of those questioned said they considered the solo 401(k) a better retirement savings plan, the survey of 50 accountants, CPAs and tax professionals, reported. That's a huge change from five years ago, when the majority recommended that their clients invest in SEP-IRAs.

"It has taken time, but CPAs and tax professionals throughout the United States are starting to embrace the significant benefits of the solo 401(k) plan vs. the SEP IRA for self-employed individuals from a retirement, tax, and investment perspective," Adam Bergman, a tax attorney with IRA Financial Group, said in a statement.

One advantage of the solo 401(k) plan – a traditional IRA designed for a business owner with no employees except perhaps a spouse – is that higher contributions can be made because it contains both employee deferral and profit-sharing options. A Sep-IRA is only a profit-sharing plan.

For 2013, the IRS allows those under 50 to make a deferral of \$17,500 to a solo 401(k), either before tax or after. On the profit-sharing side, contributions of up to 25 percent are allowed (20 percent for a single proprietorship LLC). The maximum contribution from deferrals and profit sharing is \$51,000 in 2013. For those over 50, the maximum is \$56,500.

For SEP-IRA the maximum contribution is \$51,000, but it can only come from profit sharing. Employee deferrals are not allowed.

Another advantage to the solo IRA is the availability of loans. Participants can borrow up to \$50,000 or half the value of their accounts.

"The loan feature is a popular feature that many CPAs and accountants mentioned as a reason why the solo 401(k) plan is a better plan than the SEP IRA for the self-employed, Bergman said.

