



The following plan design is tailored for individuals who operate without any common law (w-2) employees, other than a spouse or linear relative. The most commonly utilized retirement plan is the 401(k) plan. With this plan design, individuals with earned income have the ability to tax defer from their self-employment (wages subject to Social Security and Medicare/Medicaid Tax) income a salary deferral of \$19,500 plus catch-up of \$6,500 for 50+ year olds. In addition, they can make a company contribution to the retirement plan over and above their salary deferral of 25% of compensation, not to exceed \$37,500. The chart to the left shows an example of the allocation of money in this plan design. Over a five-year period, this client will be able to tax defer at total of \$305,000 (assuming no change in the maximum allowable contributions). Then, assuming a 5% rate of return, this client will be able to accumulate \$353,917 of funds largely untouchable to a litigious society. The chart shows a visual illustration of the contribution and earnings for the five-year time frame.

**Owner Only  
2020 401(k) Plan Study**

Participant	Age	Compensation	401(k) Deferral	Profit Sharing	Employer Contribution %	Total Contribution
Owner	56	\$ 140,000	\$ 26,000	\$ 35,000	25.00%	\$ 61,000

This illustration is contingent upon several factors. Some of the factors are the demographic, financial and business ownership information provided to us. Should any of these factors change in any year, a plan adopted based on this illustration may require modification to an appropriate plan design.

