

Tax Advantages of Starting a 401(k) Plan (Employer)

We all get that 401(k)'s are designed with huge advantages over traditional IRAs when it comes to retirement savings. However few small business owners are aware of the tax advantages that 401(k) plans can provide them. These can range from tax credits and deductions for their business to protecting more of their own money from taxes within their personal account.

The Tax Savings may be greater than the plan costs

The costs of administering a 401(k) plan along with your contributions and any employee matching contributions are all tax deductible.

The estimated cost to administer the MLA-MEP Retirement Plan having **20** participants is only around **\$500** annually. With such affordability, it's easy to see how this plan may pay for itself through tax savings alone.

First Timer's receive up to \$1,500 in tax credits

If you start a 401(k) for the first time you can qualify for up to a \$500 tax credit for each of the first three years of the plan. To qualify your business must have at least one employee, besides you the owner, who earns less than \$120,000 yearly. The tax credit is equal to 50% of administrative and set-up charges associated with your 401(k) plan up to \$500.

Deductible Match

Providing an employee a 401(k) match is tax deductible for your business. While matching is optional here's a few reasons to consider offering a matching contribution.

- A "Safe Harbor" match ensures all employees including you the owner can defer the maximum allowable amount to the plan.
- Since you the owner, are also an employee, you receive the match tax deferred.

Retire Tax Free

Anyone in your 401(k) plan can put some, part, or all of their contributions into a 401(K) plan's Roth option to grow tax free. All company matching and profit sharing contributions must be done on a tax deferred basis only.

Bill Male offers products and services using the following business names: Tax Favored Benefits, Inc. – insurance and financial services | Ameritas Investment Company, LLC (AIC), Member FINRA/SIPC – securities and investments | Ameritas Advisory Services (AAS) – investment advisory services. AIC and AAS are not affiliated with Tax Favored Benefits, Inc.

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