

# B.O.S.S.<sup>TM</sup> Workshops

*(Business Owner Strategy Sessions)*

## Reduce Taxes

*Year-end Tax Planning*

*December 8, 2011*



**envision**  
BUSINESS PARTNERS



CPAs / ADVISORS



FINDLEY DAVIES  
*consultants in human resources*



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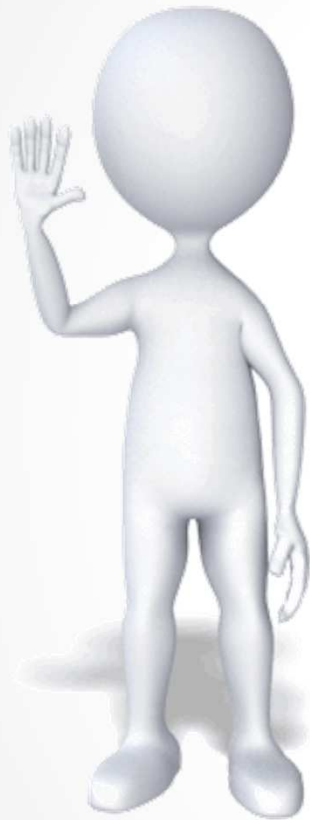
*Speaker: Ken Barton, CPA*



Director – Blue’s Ohio office

CPAs / ADVISORS





# Welcome

We are responsive. We are caring. We are advocates.

Blue Benefits Consulting, Inc.



# Why a retirement plan?

See article about couple retiring to Panama

We are all aware of concerns about the continued viability of social security

# IRA's, SEP's, SIMPLE's

- IRA's – deductible, non deductible, ROTH
  - Discuss features of each
  - \$5,000 annual limit, \$1,000 catch up (2011 and 2012)
  - Spousal
  - Stop at 70.5 except ROTH
  - Minimum distribution rules

# IRA's SIMPLE's SEP's

- SIMPLE IRA's
  - Employer sponsored plan
  - Employees can defer up to \$11,500 (\$2,500 catch up if 50+)
  - Company must either do 100% match up to 3%
  - OR 2% of pay to each eligible
  - No other contributions
  - Employer can NOT maintain another retirement plan
  - Advantage is low cost – no 5500, limited testing

# IRA's, SIMPLE's, SEP's

- SEP
  - Employer sponsored plan
  - Can exclude those employed less than 3 years
  - No deferrals or match – just employer contributions (like PSP)
  - Except for integration, must contribute same % of pay for all. No deferrals or match – just employer contributions (like PSP)
  - Inexpensive (no 5500, limited testing)
  - Easy to overlook technical requirements unless someone is paying attention!

# Retirement plan illustrations

Sample 401 (k) profit sharing plan							
				401 (k)	safe harbor	profit	total
	Age	Comp		deferral	match	sharing	employer contribution
<b>Owner</b>							
1	53	245,000		22,000	-	32,500	54,500
sub total owner				22,000		32,500	54,500
<b>Staff</b>							
2	26	35,000	ee paid		1,050	497	1,547
3	28	28,000	ee paid		840	398	1,238
4	44	47,000	ee paid		1,410	667	2,077
5	39	23,500	ee paid		705	334	1,039
sub total staff					4,005	1,896	5,901
TOTAL						34,396	60,401



# Retirement plan illustrations

Sample 401 (k) profit sharing plan combined with cash balance plan								
				401 (k)	safe harbor	profit	cash	total
	Age	Comp	deferral	match	sharing	balance	credit	employer contribution
<b>Owner</b>								
	1	53	245,000	22,000	-	13,646	159,250	194,896
	sub total owner			22,000		13,646	159,250	194,896
<b>Staff</b>								
	3	26	35,000	ee paid	1,050	1,327	1,050	3,427
	4	28	28,000	ee paid	840	1,061	840	2,741
	5	44	47,000	ee paid	1,410	1,781	1,410	4,601
	6	39	23,500	ee paid	705	891	705	2,301
	sub total staff				4,005	5,060	4,005	13,070
	TOTAL					18,706	163,255	207,966

# 2012 Cost of Living Adjustments

401 (k) deferral	from \$16,500 to \$17,000
403 (b) deferral	from \$16,500 to \$17,000
DC funding limit	from \$49,000 to \$50,000
DB annual benefit	from \$195,000 to \$200,000
Eligible earnings	from \$245,000 to \$250,000

# ROTH Conversion

- ROTH Conversions (DISCUSS BASICS OF ROTH)
- Available regardless of income beginning in 2010
- Why consider converting?
  - Future appreciation never income taxed
    - You think YOUR future tax bracket will be higher
  - ROTH not subject to minimum distribution requirements
    - So works really well for people who won't need the funds
    - Spouse beneficiary can treat as own ROTH (more later)
    - Non spouse beneficiary can make withdrawals from inherited ROTH over beneficiary life expectancy
  - You have funds outside of the IRA to pay the conversion tax

# ROTH conversion

- Couple each with \$500,000 in IRA's
- Convert in 2011 while working taxes at max current rate?
- Waiting to convert after retirement means lower(?) bracket - but what about appreciation?
- Using other funds now to pay tax uses up a lot of money (\$400,000)
- Can make a LOT of sense in low income years!!

# Idea if you like ROTH

- < age 50, IRA contribution limit \$5,000.
- In general, IRA contributions can be made by those < age 70 ½ who receive taxable earned income. (or married and spouse has earned income).
- IRA types:
  - Deductible (AGI limit if either spouse covered)
  - Non Deductible
  - ROTH (all tax free, AGI limit, no age limit)

# IRA idea (pg. 2)

- ROTH conversions – we talked a lot about last year. Now can be done regardless of AGI
- So, if you can't make a ROTH **Contribution** because of income limits, consider making a non deductible contribution and immediately convert to ROTH.
- WHY?
  - ROTH earnings never taxed
  - No RMD for ROTH IRA's (during participant lifetime)

# BIG FINISH

Business owners – section 179 and bonus depreciation will be less beneficial after 2011.

Don't forget about AMT impact on deductions.

Also social security benefit taxability (cap gains example)



# Thanks for your support

- Whether you are a client, prospective client, or just here for some information, we look forward to getting to know you better in 2012.



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**Q & A**