

# Retirement Planning - Where do I start?

When you have a business to run, researching retirement plans often drops to the bottom of your priority list. But it's always best to start planning and saving for retirement sooner rather than later because when it comes to investing in the market and compound interest, time works in your favor, and you can't afford to wait.

As a solopreneur, you don't have the luxury of joining an existing company-sponsored 401(k). So it's entirely up to you to put money aside and build wealth to create the retirement you want. The good news is, you have more options than you might think.

This worksheet will walk you through the first steps to take when retirement planning as a solopreneur.

## STEP 1 - Start with your plan

### ■ Current scenario

Assess your current situation. How much do you have saved for retirement?

\$ \_\_\_\_\_

### ■ Years left until retirement

In how many years do you plan on retiring?

\_\_\_\_\_

### ■ Current savings plan

How much are you currently saving toward retirement? You can break this down on a bi-weekly, monthly, or yearly basis.

\$ \_\_\_\_\_

### ■ Estimate future numbers

Find an online savings calculator and run a quick projection. This estimate will show you your estimated portfolio value in the year you plan to retire. I always use a 6% rate of return per year, as I always encourage others to be conservative.

\$ \_\_\_\_\_



### ■ Annual income stream

Turn your estimated portfolio into an income stream.

\$ \_\_\_\_\_ estimated portfolio value x 5% (.05) =

\$ \_\_\_\_\_ estimated annual portfolio income

Example: \$1,000,000 X .05 = \$50,000 per year income.

### ■ Total annual income stream

Then, add in your estimated Social Security Income and other sources.

\$ \_\_\_\_\_ portfolio income + \$ \_\_\_\_\_ other sources =

\$ \_\_\_\_\_ estimated annual retirement income

Example: \$50,000 annual income + \$30,000 Social Security and other sources =

\$80,000 estimated annual retirement income

## STEP 2 - Analyze your plan and situation

- Are you on track with your current scenario? Do you need or want to save more?

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- How much more do you need or want to save for retirement?

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## STEP 3 - Review your options

■ IRA (Pre-tax) – You may be able to contribute \$6,000 per year if under age 50 and \$7,000 if you are over age 50. There are income limitations if you and your spouse are already contributing to an employer-provided plan.

■ Roth IRA (After-tax) – Same as above. This is very similar to the IRA, but it is after-tax contributions. If you are looking for current tax deductibility, keep moving down the line.

■ SEP IRA (Pre-tax) – You can contribute up to 25% of your salary or \$58,000, depending on how you pay yourself. Example: If you pay yourself a \$100,000 salary, you can contribute up to \$25,000 per year towards retirement.



- Simple IRA (Pre-tax) – You can contribute up to \$13,500 if you are under age 50 and an additional \$3,000 if you are over age 50 for a total of \$16,500. Don't forget the 3% employer match for a total of \$3,000 additional if you pay yourself a salary of \$100,000.
- Solo 401k (Pre-tax and After-tax options) – You can contribute up to \$19,500 of salary deferrals plus \$6,500 if you are over age 50 for a total of \$26,000. You then can do a profit-sharing contribution of up to 25% of your W-2 — up to a max of \$65,500 depending upon your salary.
- Defined Benefit Plan (Pre-tax) – This is best used in conjunction with your Solo 401k. If you want to contribute more and have the ability to save \$100,000 or more, then consider the DB Plan option. This one is more technical so get ahold of me if this one is of interest. Depending upon your age you can contribute anywhere from an additional \$60,000 to \$340,000. DB Plans can be very powerful in terms of tax savings and wealth accumulation.

## STEP 4 - Make a decision

## STEP 5 - Reach out to me & let's get started

If you need help deciding which is best for your unique situation, reach out to me at [gabe@gabenelsonfinancial.com](mailto:gabe@gabenelsonfinancial.com). I always recommend consulting with a financial advisor as these limits and rules can change at any time by the Internal Revenue Services. Choosing the right retirement plan can give you so many options and allow you to create tremendous wealth, leading to the freedom to create the life you want.

*These options are based on 2021 facts and figures and are subject to change per the Internal Revenue Services.*

