

# Start saving now



How a 401(k)  
can help  
your business  
this year

By T. Foster Jones

IN A TIME when small-business owners are looking for every opportunity to reduce expenses and find new ways to save, starting a 401(k) program may be the best money-saving decision they can make. And, in many ways, smaller businesses—even those that have just one owner and no employees—have it better, in regard to plan costs, tax savings and benefits. Plus, with the markets still well off the highs from more than a year ago, it's a much more attractive time to invest.

## Tax credits

If you open a 401(k) plan, and it's the first for your company, you can qualify for a \$500 tax credit for each of the first three years of your plan. That's \$1,500 over the first three years to offset setup and administration charges for the maintenance of your plan.

To qualify for a tax credit, your business must have at least one employee, besides you as the owner, who earns less than \$110,000 a year. The tax credit is equal to 50 percent of administration and setup charges for your 401(k), with a cap of \$500. That's it.

"Small businesses that match their employees' contributions can also deduct that amount as a business expense—another way that government provides incentives to businesses to offer a 401(k) plan to their employees," says Stuart Robertson, general manager

of ShareBuilder Advisors LLC, which operates ShareBuilder 401k.

## Tax savings

In 2009, a small-business owner can contribute up to \$16,500 tax-deferred into a 401(k) plan; the amount jumps to \$22,500 if the owner is 50 or older.

"Let's say you run a business with eight employees, are under 50 years of age and are able to contribute \$16,500 into your 401(k)," says Jim Goforth, insurance and investing services manager of Costco Services. "If you're in the 25 percent tax bracket, you will have saved

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save  
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Builder 401k and Costco have changed that.

ShareBuilder 401k has designed a 401(k) specifically for Costco small-business members, allowing them to reap the benefits that only large companies could afford before.

"Designed for companies of one to 100, the ShareBuilder 401k plans are simple and straightforward, flexible and inclusive,"

UNTIL RECENTLY, small businesses have had few options when saving for retirement. Share-

\$4,125 in taxes by contributing the maximum. Subtract the cost of the plan [a 401(k) plan ought to be no more than \$1,200 for a company with two to 10 employees] from the tax advantages you'll realize and you're looking at a savings of \$2,925 while, at the same time, putting \$16,500 away for retirement."

## Flying solo

Solo 401(k) plans are for those companies that have no employees, just owners and spouses. You can find 401(k) plans with administrative costs as little as \$15 a month (\$180 a year). Using a solo 401(k), a small business can shelter up to \$49,000 (\$54,500 for those 50 or older) from taxes.

"In addition to your \$16,500 personal contribution, if you are a sole proprietor [also some LLCs] or a partnership, you can contribute up to 20 percent of your net Schedule C into a solo 401(k) plan up to the limits for 2009," says Robertson. "It's 25 percent of wages if your company is a corporation. That's a great shelter that might even drop you a tax bracket."

## Buying in

Owners who start a 401(k) plan now are at a distinct advantage over those who started during the market highs of 2007, according to Robertson. When the markets are down, your money buys a greater quantity of shares. When the markets are up, your money purchases fewer shares. Maintaining a continuous investment throughout the ups and downs is called dollar-cost averaging. Because you get more shares when markets are down, you could potentially be better off down the road.

"Many forget that a good 401(k) plan has options beyond stock funds," says Jim. "Fund options like Treasuries Inflation Protected Securities, U.S. Treasuries bond funds and money markets can provide a safer haven for those looking to avoid the market roller coaster."

As you look for new ways to build reserves and keep taxes in check, consider a 401(k). In the short term, it can put your business in a stronger position to reduce annual taxes; in the long term, it can build the income and reserves you'll need. ☐

says Jim Goforth, insurance and investing services manager of Costco Services.

It takes just three minutes to complete an online needs assessment. Based on that information, ShareBuilder 401k selects one of three plans that best suits your business's needs.

"401(k) plans can sometimes be confusing," says Jim, "but ShareBuilder 401k makes them easy to set up and manage."

For more information, go to [Costco.com](http://Costco.com), and type "401(k)" in the search box or call 1-800-239-2152. ☐