PRIME

RETIREMENT PLANNING



Retirement plans offer entrepreneurs a powerful opportunity to reduce current tax liability, build long-term wealth, and create greater financial flexibility. Depending on the type of plan selected, contributions may provide immediate tax deductions, tax-deferred growth, or tax-free withdrawals in retirement. Business owners often have access to retirement planning opportunities that can provide greater contribution flexibility and larger tax-advantaged savings opportunities than are available through many traditional employee-sponsored plans.

UNDERSTANDING TAX-DEFERRED VS. TAX-FREE GROWTH

Retirement plans generally fall into one of two categories:

Tax-Deferred

- Contributions may reduce taxable income today, investments grow without annual taxation, and taxes are paid when funds are withdrawn in retirement.

Tax-Free

- Contributions are made with after-tax dollars, but qualified withdrawals in retirement—including investment growth—are generally tax-free.

Choosing between tax-deferred and tax-free strategies often depends on current income, expected future tax rates, and long-term financial goals.

IMPLEMENTATION

401(K) OPTIONS

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

IMPLEMENTATION

IRA OPTIONS

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

401(K) OPTIONS

	POTENTIAL BENEFITS	KEY CONSIDERATIONS	BEST FOR THOSE WHO
TRADITIONAL 401(K) A Traditional 401(k) allows individuals to make pre-tax contributions that reduce taxable income in the year the contribution is made. Funds grow tax-deferred, and taxes are generally paid when distributions are taken during retirement.	• Reduces current-year taxable income • Allows investments to grow tax-deferred • May be paired with employer contributions when available • Can help business owners lower their overall tax burden while building retirement assets	• Withdrawals are generally taxable in retirement • Required minimum distributions may apply beginning at a certain age • Early withdrawals may be subject to taxes and penalties	• Want to reduce current taxable income • Expect to be in a lower tax bracket during retirement • Prefer immediate tax savings over future tax-free withdrawals
ROTH 401(K) A Roth 401(k) is funded with after-tax dollars, meaning contributions do not reduce current taxable income. However, qualified withdrawals in retirement, including investment growth, are generally tax-free.	• Tax-free qualified withdrawals in retirement • No income limitations for participation • Provides tax diversification alongside traditional retirement accounts • Can be advantageous for individuals expecting higher tax rates in the future	• Contributions do not generate an immediate tax deduction • Current-year tax liability is not reduced by contributions	• Expect future tax rates to be higher • Want tax-free retirement income • Seek tax diversification within their retirement strategy
SOLO / SELF-EMPLOYED 401(K) A Solo 401(k), also known as an Individual 401(k), is designed for self-employed individuals and business owners with no full-time employees other than a spouse. These plans often allow contributions in both employee and employer capacities, creating significant tax-saving opportunities.	• Tax-free qualified withdrawals in retirement • No income limitations for participation • Provides tax diversification alongside traditional retirement accounts • Can be advantageous for individuals expecting higher tax rates in the future	• Contributions do not generate an immediate tax deduction • Current-year tax liability is not reduced by contributions	• Expect future tax rates to be higher • Want tax-free retirement income • Seek tax diversification within their retirement strategy

IRA OPTIONS

	POTENTIAL BENEFITS	KEY CONSIDERATIONS	BEST FOR THOSE WHO
TRADITIONAL IRA A Traditional IRA allows eligible individuals to make contributions that may be tax-deductible depending on income, filing status, and participation in other retirement plans. Investments grow tax-deferred until distributions are taken.	• Potential current-year tax deduction • Tax-deferred investment growth • Simple and accessible retirement savings vehicle	• Deductibility may be limited based on income and retirement plan participation • Withdrawals are generally taxable in retirement • Required minimum distributions may apply	• Qualify for deductible contributions • Want a straightforward retirement savings option • Prefer reducing taxable income today
ROTH 401(K) A Roth IRA is funded with after-tax dollars and provides tax-free qualified withdrawals in retirement. While contributions do not reduce current taxable income, future growth and distributions may be entirely tax-free.	• Tax-free qualified withdrawals • Tax-free investment growth • No required minimum distributions during the original owner's lifetime • Can provide valuable tax diversification	• Contributions are not deductible • Income limitations may restrict direct contributions • High-income taxpayers may still be able to access Roth benefits through a Backdoor Roth strategy, subject to IRS rules and coordination with existing retirement accounts	• Anticipate being in the same or higher tax bracket in retirement • Value tax-free growth and withdrawals • Want to create additional tax flexibility for future income planning
SEP IRA A Simplified Employee Pension (SEP) IRA is commonly used by self-employed individuals and small business owners. Contributions are made by the employer and can provide substantial tax deductions while funding retirement savings.	• Employer contributions are generally tax-deductible • Often allows higher contribution amounts than traditional IRAs • Simple administration compared to many qualified retirement plans • Effective tool for reducing business taxable income	• Contributions are generally employer-funded only • Eligible employees must typically receive proportional contributions • Contribution amounts may vary based on compensation and business structure	• Are self-employed or own a small business • Want a simple retirement plan with minimal administrative burden • Seek significant deductible employer contributions • Need flexibility in determining annual contribution amounts based on business performance



ENTREPRENEUR PLANNING OPPORTUNITY

Depending on income, business structure, and employment status, some entrepreneurs may be able to utilize multiple retirement plans simultaneously to increase tax-advantaged savings opportunities. Certain retirement plans, such as Solo 401(k)s and SEP IRAs, may also allow business owners to make employer contributions on their own behalf, creating additional opportunities to reduce taxable income while building long-term retirement assets. Because contribution limits and eligibility rules vary by plan type, the most effective retirement strategy depends on individual circumstances.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
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