# UNDERSTANDING RETIREMENT ACCOUNTS

If you don't want to work forever, you need to invest for your retirement. To reach your retirement goal, actively saving for your retirement must be an important part of your business strategy. But which one is the best option for you? Let's find out.

## TYPES OF RETIREMENT ACCOUNTS

- IRA
- Roth/IRA
- SIMPLE IRA
- SEP Plan
- One Participant 401(k)
- Roth 401(k)

## IRA

A traditional Individual Retirement Account (IRA) is one of the most popular retirement investment plans. The funds in your IRA are fully or partly taxable when you withdraw from your IRA upon your retirement. You can withdraw from your IRA when you are 59.5. Withdrawing before this age will come with a hefty penalty and can only be done under special circumstances. Contributions to your IRA are typically tax deductible, as your tax contribution comes with the withdrawal of the funds.

## ROTH/IRA

There are several differences between a Roth IRA and a traditional IRA. Your contributions to your Roth IRA are not tax-deductible. The benefit of a Roth IRA is that your contributions can grow tax-free. These funds can be withdrawn penalty and tax-free once you have reached the age of 59.5.

## SIMPLE IRA

A SIMPLE IRA is set up by a small business to save for employers' and employees' retirement. A percentage of pay is put aside for retirement every month, where the money grows tax-deferred until withdrawal. Employees will not pay any taxes on the investment but pay income taxes when they begin making a withdrawal. These retirement plans are favorable for small businesses because there are few start-up costs, and they lack the operating costs of other traditional retirement plans.

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## SEP PLAN

A Simplified Employee Pension (SEP) plan allows business owners to contribute to their retirement plans and employee retirement plans. Up to 25% of an employee's pay can be put into the SEP plan, and it does not have the operating and starting costs of a traditional IRA. A SEP plan makes contributions to each employee's retirement annuity.

## ONE PARTICIPANT 401(k)

A One Participant 401(k) is a 401(k) specifically for business owners with no employees. These plans have the same rules as a 401(k) and may also include the business owner's spouse. Contributions to a 401(k) plan can be made as both an employer and an employee. To set up one of these retirement plans, you will need an Employer Identification Number (EIN). A benefit of this plan is its tax flexibility, as you get to choose when you would like to make your tax contribution.

## ROTH 401(k)

A Roth 401(k) combines aspects of a Roth IRA and One Participant 401(k). This employer-sponsored savings plan allows employees to invest after-tax money for their retirement. This type of retirement plan can be more valuable in your retirement because withdrawals after 59.5 years are tax deductible.

Saving money for your retirement and your employees is one of the most important things you can do as a business owner. Finding a plan that supports your growth as a business and your retirement fund is crucial for being successful in the trucking industry.

Being your own boss comes with lots of upsides but presents its share of challenges too. Let TBS Factoring help you overcome some of those challenges with our cash flow solutions, truckers bookkeeping services, back-office support, DOT compliance services, insurance down payment assistance, trucking permit services, and more. That way you can focus on what's most important: building your business.