



The Individual 401k – BIG Business Benefits For The Home Business

Major mutual fund and investment management companies now offer self employed individuals 401k plans that are easy to install and administer at very low cost. What's more independent contractors and small business owners can borrow part of their retirement savings tax-free and penalty free by taking advantage of a loan provision in these new plans. Depending on who's offering them, these individual plans are sold under different trademarked names such as (solo 401k, uni-k plan, personal(k), one person 401k, mini-401k, solo-owner 401k, etc.,.)

Small business owners can establish an individual 401k and transfer their IRA, 401k, 403b, or other qualified retirement funds into this new retirement plan. Once the funds are in the plan, owners can borrow 50% of their 401k account balance up to \$50,000 tax-free and penalty free provided they pay back the loan.

Any business owner with no employees other than co-owners or spouses can establish an individual 401 k plan. It doesn't matter if you are a startup or been in business for years. You may work as an independent contractor with 1099 income, freelancer, sole proprietor, or in a partnership, Limited Liability Company (LLC), or corporation.

It is fairly common for employees of large companies to have the option to borrow from their 401(k). But before 2002, small business owners were not allowed the same privilege. Instead, owners needing to tap their retirement funds for whatever reasons had to take cash distributions from their IRAs or other retirement accounts. This required them to pay federal and state taxes on the distributions, plus generally a 10%

penalty if they were under age 59 ½. They also lost the chance to put the money back into their retirement accounts.

Borrowing from an IRA is still prohibited. But one can consolidate his individual retirement accounts into a 401 k and borrow from the 401k.

However, the individual 401 k is more than just a good tool to borrow money. It also lets you contribute more towards your retirement. You can make tax-deductible contributions to this plan at levels more generous than other retirement plans such as the SEP, SIMPLE, profit sharing and money purchase plans.

Every year millions of Americans start new businesses and take cash distributions from their retirement accounts to keep them solvent until the business gets going. In the process these entrepreneurs forfeit a large chunk of their retirement money to taxes and penalties. From now including a 401 k search will probably become routine whenever small business owners look to set up a retirement plan. With all of its features, the individual 401(k) is bound to be a serious contender when it comes to choosing a small business retirement plan.

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**About the author:**

Daniel Lamaute, CEO of Lamaute Capital specializes in helping people get the most benefit from their retirement investments. Take cash payments from your retirement funds the smart way. Get your FREE SOLO-OWNER 401K INFORMATION KIT. Kit includes a prospectus with detailed information about the plan, investments, sales charges and expenses. Visit <http://www.investsafe.com> to order kit. COPYRIGHT © 2002-2006, Lamaute Capital, Inc. All rights reserved.

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