RETIREMENT PLANNING

Part Two

What savings vehicles are available to prepare for financial independence and retirement?

By Chris Messmer, M.S.F., CFP®

The amount of assets needed to sustain cash flow, as well as, where and how it is invested must be carefully considered when planning for financial independence and retirement. People with a plan tend to be more confident that they will be comfortable throughout retirement. Saving and investing to provide for the future may be in the form of pre-tax payroll deductions that grow tax-deferred, or after-tax contributions to tax-deferred or tax-free vehicles, or contributions to a taxable account, or any combination of all of these vehicles. A few of the main types of plans are described below:

IRA Plans

After -tax contributions to a Traditional IRA or Roth IRA are always a good idea. Of course, you must have earned income, and you may contribute any amount of savings up to the maximum which is $5,500 (< 50 years old) or $6,500 (> 50 years old).

With a **Traditional IRA**, a person may or may not be able to take a tax deduction. It all depends on tax status, earned income and if a person participates in a company plan. In any case, it is a great way to accumulate assets for retirement, and your contributions may be self-directed into a variety of investments, such as mutual funds.

With a **Roth IRA**, a person does not receive a tax deduction for the contribution. Assets in a Roth IRA grow free from taxation, however there are income eligibility phaseouts. If you cannot do a deductible Traditional IRA, and if your income is under the phase out amounts, then you most certainly should consider a Roth IRA. Roth IRAs are not subject to the Required Minimum Distribution (RMD) rules at age 70.5; whereas, a RMD must be taken from a Traditional IRA plan.

When a person leaves a job or retires, the company retirement plan may be rolled to a **Rollover IRA** which is a Traditional IRA. Assets may be invested and are self-directed versus having the limited choices of the company plan. In some cases, it may make sense to leave assets in the company plan when investment choices are very good.

Employer Plans

A **SEP-IRA** contribution is made with after-tax income and assets grow on a tax-deferred basis. Contributions cannot exceed the lesser of 25 percent of compensation (20 percent for self-employed before the self-employment tax deduction), or $55,000 for 2018.

(Continued on page 43)

Short term. Long term. Best of all, it's all on **your** terms.
That's younity.
BUSINESS CHECKING
COMMERCIAL LENDING
INVESTMENT ACCOUNTS
BUSINESS MASTERCARD®
Dennis S.
Plastic Supply of PA
Pottstown, PA
Business Member Since 2011

A full spectrum of products and services designed with local businesses in mind.

Financial support is just the beginning. Strong businesses are built on strong relationships. At Diamond Credit Union's Business Services division, we are here to provide the strength and values you're looking for as well as the services you need. As a local business ourselves, we understand your business needs more than anyone. We are passionate about partnering with community businesses and watching them grow around us.

Talk to us about how Diamond Business Services can work for you. **Call 800.593.1000 or visit diamondcu.org to learn more.**

Diamond BUSINESS SERVICES
A Division of Diamond Credit Union
NCUA Federally Insured by NCUA
Branches in Boyertown | Exeter | Pottstown | Wyomissing

EARTH ENGINEERING INCORPORATED
Geotechnical Engineers & Geologists
We've Got The 422 Region Covered !
EEI Lehigh Valley
EEI Central PA
EEI Corporate Headquarters
Subsurface Investigations
Construction Inspection and Testing
Geotechnical Design & Analysis
Clean Fill Testing
Stormwater Infiltration Testing
Laboratory Soils Testing
Carbonate Site Assessments
Environmental Site Assessments and Remediation
www.earthengineering.com
Corporate Headquarters: 610-277-0880
Central PA: 717-697-5701
Lehigh Valley: 610-967-4540
South Jersey: 856-768-1001
QUALITY * COMMITMENT * PERFORMANCE

JWM Business Services
we put your marketing in motion
JWM Direct
Way Cool Email
Kinetic Web Solutions
Proper implementation of your marketing ideas are a key ingredient to success.
www.jwmbusiness.com
610-831-9030

Hardware & Software – PC & Server Management – Backup & Recovery – Help Desk
Web Design & Development, Social Media
Business Applications, Process Automation
Cube Info Solutions
Your IT solution provider of choice
610.482.4359
cubeinfosolutions.com
Best in class computer support/IT services
for small and medium businesses
Call us for a FREE Network Audit /Consultation
Outstanding Service • Knowledge & Experience • Proven Track Record
Microsoft technologies (Exchange, SharePoint, Microsoft Office 365) – Cloud Services

Retirement Planning

(Continued from page 41)

There is a special rule to calculate contributions if you are a sole proprietor, partner in a partnership or LLC. If you have interest in this type of plan, meet with a CPA to assist in calculating your contribution limits and the contribution limits for employees, if applicable. Assets may be self-directed and invested into any traditional investments, such as mutual funds.

A **Simple IRA** is a good plan for a small business owner and self-employed persons with 100 or fewer employees. Contributions are made on a pre-tax basis and grow tax-deferred. Administrators must make matching contributions if the business owner has employees. The match must be dollar-for-dollar up to three percent of the employee's salary, or a flat two percent for eligible employees. Contributions for administrator participants are limited to $12,500 in 2018. However, there is a catch-up of $3,000 for persons age 50 and older. Once again, assets may be self-directed and invested into any traditional investments, such as mutual funds.

A **401(k) Plan** is generally offered by larger companies and participants contribute on a pre-tax basis up to $18,500 in 2018 with a catch-up of $6,000 for persons over 50 years old. My experience is that some people refuse to save into a plan if their company does not match. If you feel this way, do yourself the biggest favor and save anyway. The pre-tax contribution offers a current tax savings, and your assets will grow on a tax-deferred basis which is very powerful.

A **403(b) Plan** is similar to a 401(k), but it is offered through a 501(c)(3) tax-exempt entity. Many hospital plans and schools, for example, offer a tax-sheltered plan or 403(b).

A **Profit Sharing Plan** is sometimes offered in place of a 401(k) or in combination with a 401(k). A profit sharing plan gives an employee a share in company profits. Employer contributions are tax-deductible, and assets in the plan grow on a tax-deferred basis for employees. A company may contribute up to 25 percent of an employee's salary or $55,000 this year, whichever is less.

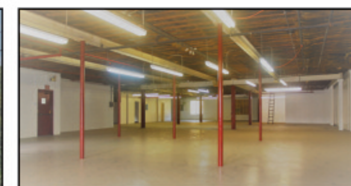
In my opinion, many employers could do themselves and their employees the biggest favor by using a well-know, low cost provider or discount broker with transparent costs rather than plans where the fees tend to be hidden saving their companies thousands of dollars each year that can be invested back into their businesses. In addition, employers may want to consider offering employee financial planning to assist employees with participation in plans and to help guide them.

In my experience, assisting people in addressing retirement goals for a long time; my best advice is save as much as possible, as early as possible, and it is never too late to begin saving even if it is not a maximum contribution. Most people should consider saving in a company plan, if available, as well as an IRA plan and a taxable account. Building assets in a taxable account can provide a source of assets for future cash flow to meet a gap between a retirement date and the onset of social security or it can provide cash flow while allowing tax-deferred assets to continue to grow until 70.5 years old.

For specific advice to meet your needs, seek a qualified professional advisor.

Christine Messmer can be reached at 610.489.7925. For additional information, please visit www.christinemessmer.com.

SERVING YOUR COMMERCIAL REAL ESTATE NEEDS!
INDUSTRIAL BUILDING LEASE OR SALE
2228 FARMINGTON AVE., BOYERTOWN


Shop Space

Office Space
26,000 SF BUILDING FOR SALE AT $725,000
LET SOMEONE ELSE PAY YOUR MORTGAGE.....
FIRST FLOOR OF 13,000 SF LEASED TO THREE TENANTS WITH BASE ANNUAL RENT OF $53,151 + NETS
2ND FLOOR IS VACANT — PERFECT FOR LIGHT MANUFACTURER
2ND FLOOR CAN BE LEASED AT $2.25 SF + NETS FOR 8,300 SF OR $1.95 SF + NETS FOR 13,000 SF
BUILDING RECENTLY RENOVATEDE WITH NEW RUBBER ROOF, EXTERIOR PAINTED, INSTALLATION OF 15 ANDERSEN SLIDER WINDOWS AND NUMEROUS OTHER IMPROVEMENTS.
FOR INFO CALL ED BROOKS

Look at all of our listings at
www.BrodeAndBrooks.com
215-679-4200

TAKE A FRESH APPROACH TO YOUR FINANCIAL FUTURE
Chris Messmer, MSF, CFP®
610-489-7925
Comprehensive Financial Planning
Retirement Planning
Investment Management
Cash Flow & Risk Management
Wealth Accumulation
Tax & Estate Planning
Christine Messmer, P.C. is the Registered Investment Advisor, Fee only and Fiduciary
www.christinemessmer.com
chris@messmerfinancial.com
@MessmerChris
101 Oak Street, Collegeville, PA 19426