

Self-Employed Individuals – Retirement Plan Illustrations

The illustration below is a hypothetical example based on specific assumptions of age, earnings and tax situation.

Each type of retirement plan is subject to different rules and regulations.

You can contact the AIS Retirement Plan Services Department with any questions or to request an illustration by phone 413-528-1216.

Participant Name	John Doe
Type of Business	Sole Proprietor
Income:	\$150,000
Date of Birth	August 7, 1948
Attained Age	55

Calculate Earned Income

Net Earnings (before any deductions)	\$150,000.00
1402(a)(12) deduction	\$138,525.00
Medicare and FICA	\$ 17,260.43
½ Self-Employment Tax	\$ 8,630.21
Earned Income for Plan purposes	<u>\$141,369.79</u>

Calculate Maximum Permissible Contribution - The maximum contribution to the solo 401(k) plan shown below is comprised of both employee salary deferrals (401(k) contributions) and a contribution by the business (profit sharing contribution). Profit sharing contributions are entirely discretionary and do not required to be tied to businesses profits or losses. This means, the business is not required to make a contribution in years when profits are good but the option to make a profit sharing contribution is always available.

1. Solo 401(k) Plan

Maximum 401(k) deferral:	\$ 16,500.00
401(k) catch-up contribution (age 50 or older)	\$ 5,500.00
Maximum profit sharing (business) contribution	\$ 28,273.96
Total permissible solo 401(k) contribution	<u>\$ 50,273.96</u>

2. Simple IRA

Maximum simple IRA contribution	\$ 15,617.57
Maximum catch-up contribution	\$ 2,500.00
Total permissible Simple IRA	<u>\$ 18,117.57</u>

3. Maximum SEP Contribution	<u>\$ 28,273.96</u>
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4. Maximum defined benefit plan contribution	<u>\$114,773.12</u>
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