SIMPLE can be simply marvelous

By Jennie L. Phipps · Bankrate.com

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If you don't have a retirement savings plan at work because you are self-employed or work at a small operation that doesn't offer one, now's a good time to set up your own tax-advantaged plan.

There are a number of choices, including traditional IRAs and Roth IRAs, Simplified Employee Pensions, or SEPs, and Solo 401(k)s to name a few.

Scott Bishop, a CPA and a Certified Financial Planner professional at STA Wealth Advisors, recommends that you at least consider a Savings Incentive Match Plan for Employees, or SIMPLE IRA.

Bishop says that SIMPLEs are often overlooked, but he believes that for many small businesses with more than one employee, a SIMPLE can be the right choice. But you'd better hurry. If you are considering a SIMPLE IRA for tax year 2014, the deadline to set one up is Oct. 1.
The SIMPLE basics

Bankrate's story on retirement plans for small businesses explains 10 different types of retirement plans for small employers and the self-employed, including the basics of a SIMPLE. What Bishop likes best about them is their simplicity, as well as the amount of tax-advantaged money you are able to stash -- $12,000 (or $14,500 if you are older than 50) in 2014. He points to these other advantages:

- The employee can pick the financial institution to manage the plan. "If you are in business with your brother and you like Vanguard but your brother likes Schwab, each of you can set your SIMPLE up where you want," Bishop says. "Plus you control your investments with no fiduciary or compliance requirements like you have with a 401(k)."

- There's practically no paperwork, and no government reporting required other than indicating contribution amounts on W2 forms.

- A small company may be eligible for a $500 tax credit for three tax years to offset start-up costs.

- An employer match is mandatory, but it is small and flexible -- between 2 percent and 3 percent of compensation -- and it can be reduced to as little as 1 percent in any two of five consecutive years.

Among the disadvantages: SIMPLEs don't allow for plan loans.

If you are considering opening a retirement plan, Bishop recommends that you investigate all of the possibilities. Which plan will work best for you will depend on how much you are earning and how much you are able to save, he says. If you are making a lot more than $50,000 and you want to put aside more than what the SIMPLE will allow, he suggests that you consider one of the other options. Otherwise, "A SIMPLE allows you to put away a reasonable amount for yourself and for your employees," he says.

Read more about SIMPLE IRAs.