

Tax Pro
Module 7
Section 1

CHOOSING THE BEST RETIREMENT PLAN

A DIFFERENT PERSPECTIVE

Rather than save taxes, I want to create tax-free income!!

My 3 best ways are:

**1. Tax-Free Cash Flow
from
Real Estate**
(in the short-run &
in the long-run)

**2. Tax-Free Income
from a Roth**
(in the long-run)

**3. Tax-Free Income
for Medical with an
HSA**
(now & the rest of my life)

DECISION TREE – CHOOSING THE BEST PLAN

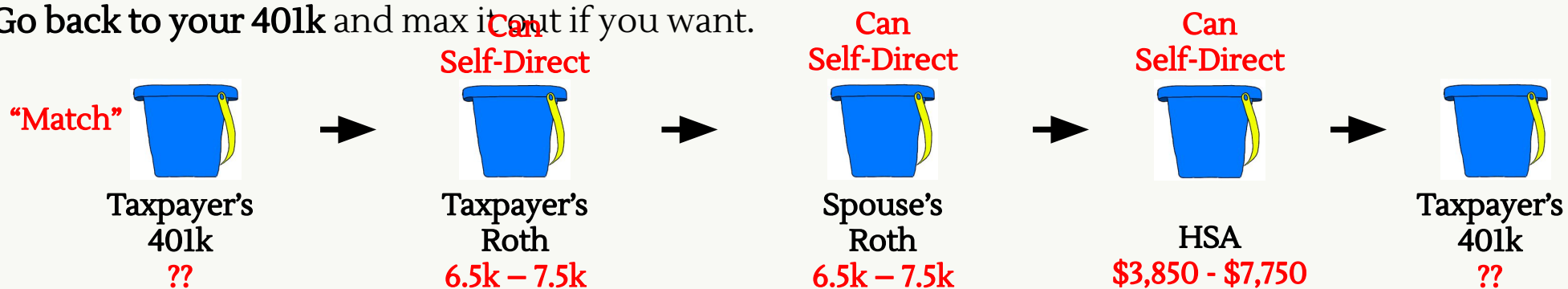
5 General Situations:

1. W-2 wage earner; no side-hustle
2. W-2 wage earner; with a side-hustle
3. Business Owner; with no employees
4. Business owner; with employees
5. Real estate investor; no W-2 or Side-Hustle

* For Illustration Purposes Only

#1 – W-2 WAGE EARNER; NO SIDE HUSTLE

1. **"Match and Out" 401k** (invest in what they give you)...but know that you doubled your money right out of the gate!
2. **Fund your individual Roth** (if you make more than 138k-single, or 218k-married, use the back-door Roth IRA)...then invest in what you know!
3. **If you're married, fund your spouse's Roth.** (They don't have to have their own earned income to do so)...then invest in what you know!
4. **Fund your HSA** if possible (single or married)...then invest in what you know!
5. **Go back to your 401k** and max it out if you want.

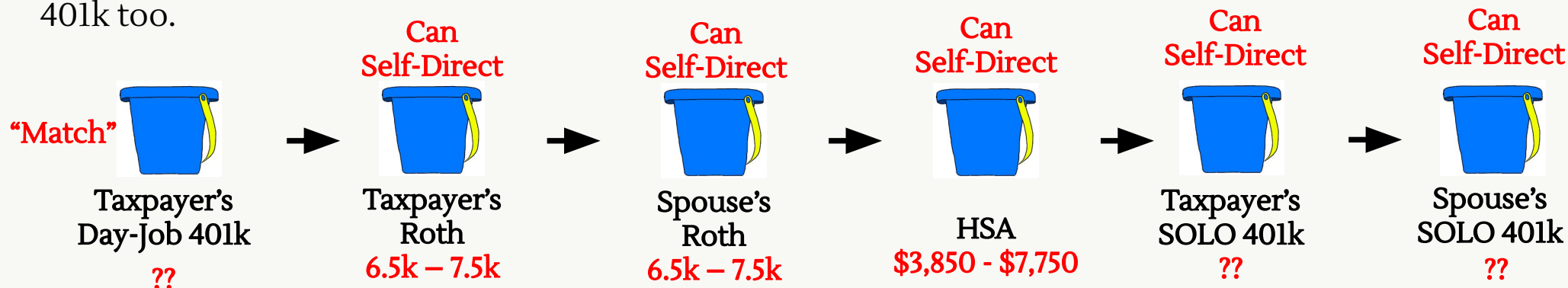


** This does not include a client's dedication to real estate investing, life insurance, personal savings, or college savings accounts for children. This is IF they have the financial wherewithal to "do it all".*

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#2 – W-2 WAGE EARNER; WITH A SIDE HUSTLE

1. **“Match and Out” at Day-Job 401k** (invest in what they give you)...but know that you doubled your money right out of the gate!
2. **Fund your individual Roth** (if you make more than 138k-single, or 218k-married, use the back-door Roth IRA)...then invest in what you know!
3. **If you’re married, fund your spouse’s Roth** (They don’t have to have their own earned income to do so)...then invest in what you know!
4. **Fund your HSA** if possible (single or married)...then invest in what you know!
5. **Create a Solo-401k or Go back to Employer 401k.** Max it out if you want and/or fund Spouse’s Solo 401k too.



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#3 – BUSINESS OWNER WITH NO EMPLOYEES

1. **Fund your individual Roth** (if you make more than 138k-single, or 218k-married, use the back-door Roth IRA)...then invest in what you know!
2. **If you're married, fund your spouse's Roth.** (They don't have to have their own earned income to do so)...then invest in what you know!
3. **Fund your HSA** if possible (single or married)...then invest in what you know!
4. **Set-up a Solo-401k.** Max it out if you want and/or fund Spouse's Solo 401k too.



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#4 – BUSINESS OWNER WITH EMPLOYEES

1. **Fund your individual Roth** (if you make more than 138k-single, or 218k-married, use the back-door Roth IRA)...then invest in what you know!
2. **If you're married, fund your spouse's Roth.** (They don't have to have their own earned income to do so)...then invest in what you know!
3. **Fund your HSA** if possible (single or married)...then invest in what you know!
4. **Set-up Solo 401k OR SEP if you qualify.** Max it out if you want and/or fund Spouse's Solo 401k too. invest in what they give you)...but know that you doubled your money right out of the gate!
5. **Create a "Safe-Harbor" Employer 401k.** Max it out if you want and/or fund Spouse's Solo 401k too

Always 1st
Roths & HSA



2nd Choice

Solo 401k



Excluded IF:

- 1 same full-time Employee (1,000hrs for at least a year),
OR
- 1 same part-time Employee (500hrs a year for 3 years)

3rd Choice

SEP



Excluded IF:

- 1 same full-time Employee (1,000hrs for at least 2 years),
OR
- 1 same part-time Employee (500hrs a year for 3 years)

4th Choice

Safe Harbor 401k



It's OK!!!

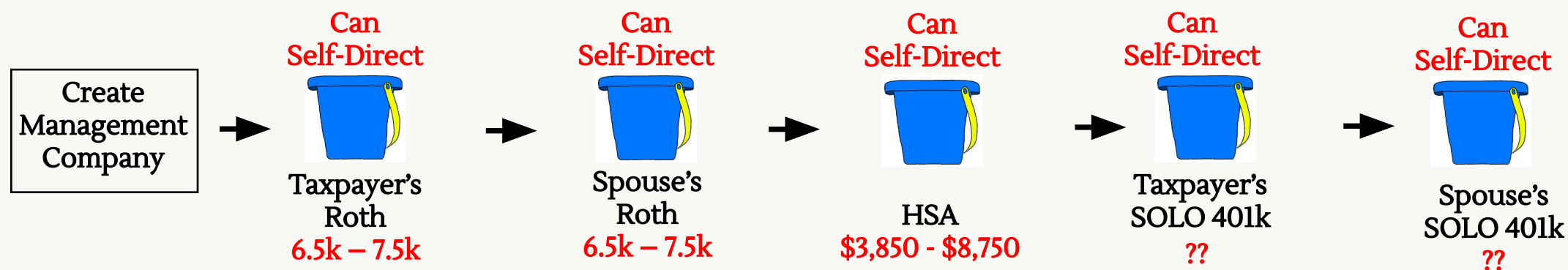
- Matching is kept to a Minimum
- Business owners can still max out their individual Roth and HSA

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#5 – REAL ESTATE INVESTOR; NO W-2 OR SIDE

HUSTLE

1. **Create Earned Income thru Management Company supporting rental property business** (NEVER DO THIS ...unless wanting to create and/or fund retirement accounts).
2. **Fund your individual Roth** (if you make more than 138k-single, or 218k-married, use the back-door Roth IRA)...then invest in what you know!
3. **If you're married, fund your spouse's Roth.** (They don't have to have their own earned income to do so)...then invest in what you know!
4. **Fund your HSA** if possible (single or married)...then invest in what you know!
5. **Set-up a Solo-401k.** Max it out if you want and/or fund Spouse's Solo 401k too.

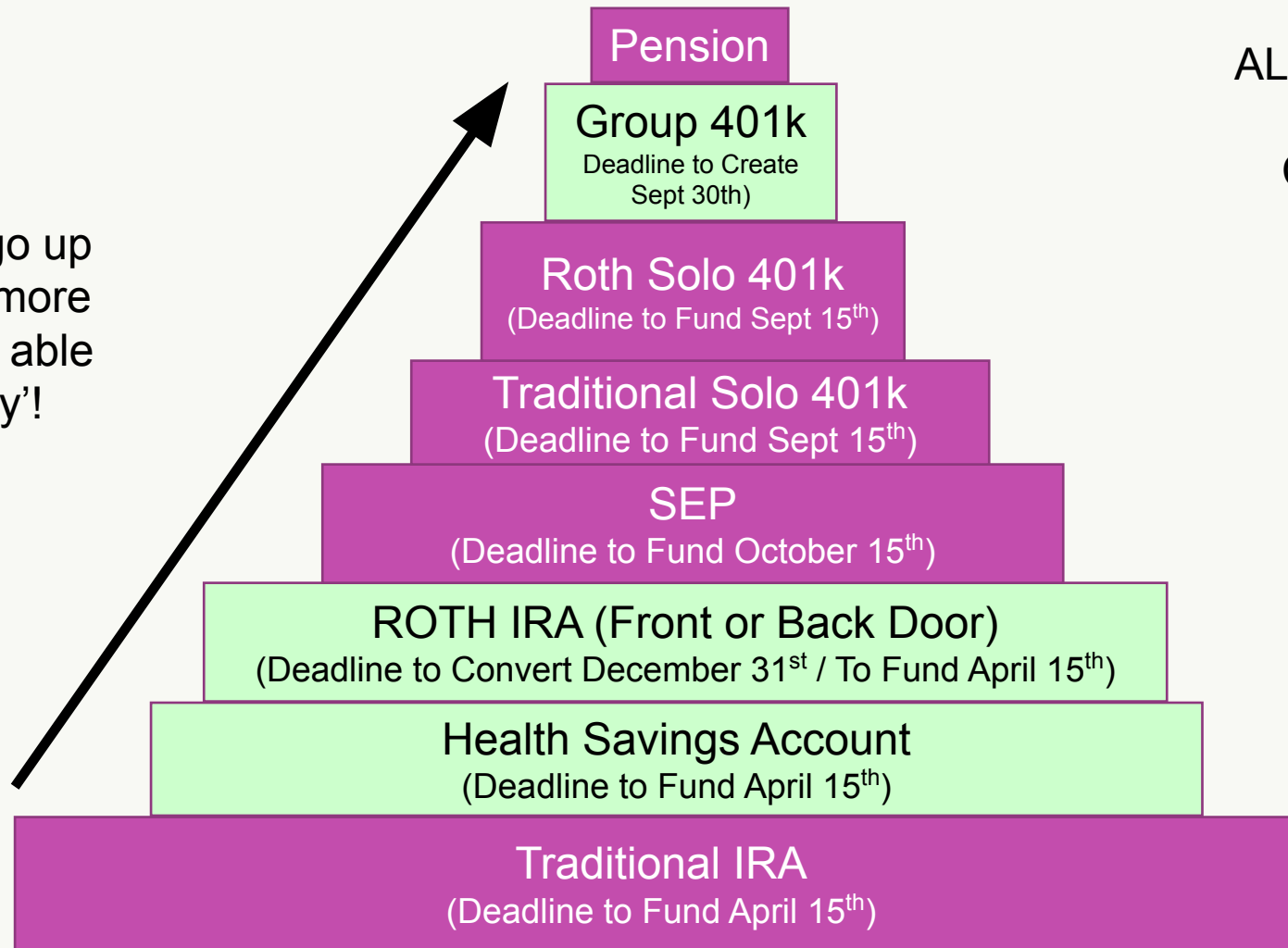


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CHOOSING THE BEST RETIREMENT PLAN

Typically, you go up the ladder the more money you are able to 'sock away'!




ALL of these Plans (except employer plans) Can be Self Directed!!

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2023 FUNDING LIMITS

Contribution / Deduction

Phase Out Limitations / Minimum Payroll Amounts

- 
- Defined Contribution Plans, Defined Benefit Plans, 412i, etc..
Maximum \$230,000

** This is simply an illustration. Every individual plan needs to be carefully drafted based on the particular business structure and needs of the owner.

- 401K or ROTH 401K - \$22,500+ Match 25% of income not to exceed \$66,000
- \$30,000 if age 50 or above, not to exceed \$73,500

- SEP – Maximum \$61,000
or 25% of Compensation

- Equal to Salary amount, not to exceed \$66,000

- IRA (Roth) -\$6,000
 - Catch up if >50 - \$7,000
(combined contribution with Traditional)

- Single limited if AGI between 138K-153K
- Married limited if AGI between 218K-228K
- Conversion allowed at ANY income level

- IRA (Traditional) -\$6,500
 - Catch up if >50 - \$7,500
(combined contribution with Roth)

- No Employer Plan- No Limit
- Employer Plan- Single AGI Phase out – 73K-83K
- Employer Plan- Both Married AGI Phase out – 116K-136K
- Employer Plan- One Spouse AGI Phase out – 218K-228K
- Catch Up Provisions have additional rules