



TRAINING TIP OF THE WEEK

6 Smart Investment Options for the Self-Employed

To grow your retirement fund and minimize your tax burden, consider fund vehicles specifically designed for independent contractors and small businesses.

Traditional or Roth IRA. A good start. Save up to \$6,000 a year for 2019 plus \$1,000 if you're 50 or older. Potential tax deduction when you contribute to a traditional IRA; Roth contributions are after-tax, so withdrawals are tax-free.

Simple IRA. You can contribute in two ways wearing two hats as an independent contractor:

1. **As an "employee,"** you can defer up to \$13,000 from your earnings in 2019 (plus a catch up of \$3,000 if you're over 50), limited to 100 percent of your net earnings.
2. **As an "employer,"** you can match your deferred income, dollar for dollar, up to 3 percent of your net earnings from self-employment. Or make a non-elective contribution of 2 percent of your net earnings from self-employment, not exceeding \$280,000 for 2019.

Solo 401(k). Another option for high-level contributions as an independent contractor also offers two choices:

1. **As the "employee,"** you may contribute up to 100 percent of your earned income, up to \$19,000 for 2019. The limit is up to \$25,000 if you are age 50 or over.
2. **As an employer,** use the same calculation listed above for the Simple IRA plan.

SEP (Simplified Employee Pension) IRA. A good option once your business takes off and you want to lower your tax liability. Its high contribution level lets you reduce your income for taxes. Money isn't taxed until withdrawn. You can contribute one-quarter of your net compensation (not gross revenue), up to \$56,000 in 2019. No catch-up contribution.

Brokerage account. No restrictions on investments. A good choice for making real estate investments without penalties.

Given the complexities of the rules, it's wise to consult with a certified financial planner when making decisions about setting up investment and retirement accounts.

REALTOR® Magazine, March-April 2019, Christina Hoffman

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