

High-Income Self-Employed Earners Can Avoid Huge 2014 Tax Bills

Defined Benefit (DB) Retirement Plans Offer Big Tax Breaks When Opened Before the End of the Year

SAN FRANCISCO, October 15, 2014 --([BUSINESS WIRE](#))--Many high-income taxpayers received a rude surprise when they got their tax bill last year. Federal income taxes, payroll taxes and capital gains taxes went up and deductions went down for people earning more than \$200,000 a year, but many hadn't planned ahead for the changes.

“Clearly, DB plans offer a remarkable opportunity for some high-income taxpayers to build retirement wealth and enjoy substantial tax savings. It’s something everyone in this situation should strongly consider for 2014”

To avoid these unwelcome tax bills for 2014, high-income self-employed taxpayers – as well as others who earn six-figure incomes from side work such as consulting and speaking – can save tens of thousands of dollars on federal taxes while quickly accumulating significant retirement savings by setting up an IRS-approved Defined Benefit (DB) retirement plan, according to Karen Shapiro, CEO of [Dedicated Defined Benefit Services, LLC](#). Shapiro’s firm is the leading “Micro” DB plan administrator in the U.S., with thousands high-income clients across the country.

“Our firm’s DB plan can turn your high income into high net worth,” says Shapiro.

Defined benefit plans once were the primary retirement plan offered by large employers, but they are now one of the best ways for the high-income self-employed – such small business owners, doctors, consultants and even farmers – to save on taxes and save for retirement.

To take advantage of these plans for this tax year, taxpayers must set them up by December 31, 2014. But DB plans can be funded up to 8½ months after the end of the tax year if you file extensions.

Take the case of Robert Hudson, a 52-year-old marketing consultant who expects to earn \$250,000 in 2014. If he only uses a SEP retirement account to lower his taxes, he can contribute up to \$47,800 and save about \$18,000 in taxes.

By opening a DB plan, Robert can contribute up to \$108,000 for 2014, deferring \$41,000 in taxes while accumulating an estimated \$1.5 million in retirement savings if he keeps contributing until age 62.

DB plans allow the highest IRS-approved retirement plan contributions, and because the plan sponsor is usually the only participant, the higher the contribution, the better. Business owners who are interested in opening a DB plan can calculate their tax and retirement savings at www.onepersonplus.com/smallbusiness/pen.html.

What's more, even though it's called a "defined benefit" plan, it doesn't have to stay that way at retirement or plan termination. Taxpayers can roll it over into an IRA, allowing the assets to keep growing tax-deferred until withdrawal.

Despite their obvious advantages, some taxpayers have been hesitant to open DB plans because they don't know how they work. But Shapiro points out that there is a lot of flexibility in setting up the plan and deciding how much to contribute.

Firms such as [Dedicated DB Services](#) provide complete administration services, including all the annual actuarial and tax-related tasks necessary to maintain a plan at a reasonable fixed cost, regardless of the amount you plan to save.

DB plans are a great alternative for sole practitioners, mom-and-pop businesses and small companies with only a few employees. They make sense for physicians as well – including anesthesiologists, psychiatrists, audiologists, endodontists and radiologists – since they are often high-earners with few regular employees.

Other common DB plan sponsors include consultants, attorneys, contractors, entertainers, franchise owners, farmers, software engineers and real estate agents. DB plans may also be advantageous for working spouses of high-earners or employees who also earn a side income (such as speaking fees).

"Clearly, DB plans offer a remarkable opportunity for some high-income taxpayers to build retirement wealth and enjoy substantial tax savings. It's something everyone in this situation should strongly consider for 2014," counsels Shapiro.

For more information about setting up a DB plan, visit www.dedicated-db.com. To discover your potential tax and retirement savings, use the online calculator at www.onepersonplus.com/smallbusiness/pen.html.

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