



WHY AN INDIVIDUAL 401 (K) PLAN?

Flexibility

Flexible Contributions and Higher Limits

Individual 401(k) plans offer owner-only or owner and spouse only operated small businesses a flexible way to invest for retirement through:

- Discretionary salary catch-up contributions (individuals age 50+)

Individual 401(k) plans often allow business owners to make larger contributions than other popular retirement plans. However, the flexible nature of individual 401(k) plans allow business owners to start, stop or alter their salary deferral and/or profit sharing contributions annually.

Flexible Distribution Options

Contributions invested in individual 401(k) plans are immediately 100% vested. This means subject to certain distribution requirements, business owners have full access to their money.

Distributions are generally available upon:

- Attaining normal retirement age 59^{1/2}
- Separation from service
- Death
- Disability
- Termination of the plan
- Circumstances of financial hardship
- In-service distributions made from profit sharing contributions that generally have been in the plan for a minimum of two years.

Please note: Taxable distributions are subject to ordinary income tax and, if take prior to age 59^{1/2} may be subject to a 10% federal income tax penalty.

Loans

Loans are generally permitted from individual 401(k) plans and may be taken tax-free subject to the guidelines of the plan.

Consolidation

New tax laws now make it possible for small business owners to consolidate all of their retirement accounts by rolling over or transferring these assets into individual 401(k) plans.

No Complex Administration

Since individual 401(k) plans are geared toward owner-only small businesses they are not subject to the costly

and complex testing and administrative requirements generally associated with traditional 401(k) plans. Full-service administration is generally offered through individual 401(k) providers (or can be obtained from a third party administrator). This makes individual 401(k)s virtually maintenance-free from a small business owner's perspective.

Who may be a likely candidate for an individual 401(k)?

1. Owner-only or Owner and Spouse only operated businesses.
2. Business owners looking for a plan that offers higher contribution limits.
3. Business owners seeking the flexibility to maximize profit sharing contributions or to make none at all.
4. Small business owners who would like to have the ability to take tax-free loans.

Maximum annual contributions

Employee: \$15,500 in 2007 and there after (\$20,500 if you are age 50+).

Employer: Employer contributions, together with any employee contributions, cannot exceed the lesser of \$45,000 (\$50,000 if you are age 50+) or 25% of compensation. Self-employed individuals making "employer" contributions on their own behalf are generally limited to a deductible amount that is the lesser of 20% of net earnings after allowable deductions of \$45,000.

Advice Focused On Your Business

For help in determining which retirement plan is best for your small business call us at **1-800-392-3009** to schedule an appointment with a Financial Advisor in your area.

Source: *The Hartford Retirement Plans For Small Businesses.*

Investment & Insurance Products:

- **Not Insured by FDIC or any Federal Government Agency**
- **May Lose Value**
- **Not a Deposit of or Guaranteed by a Bank or any Bank Affiliate**

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