



Advanced Tax Saving Strategies for Business Owners





The Key to Business Success: Building Your Team

There are a lot of moving parts for any business owner. Understandably, the day-to-day of running your business may take priority with peripheral tasks falling by the wayside.

Partnering with professionals who are experts in financial matters and tax efficient strategies allows you to focus on building your business. You need a team that understands your ultimate goal and supports your efforts around business growth, succession planning and retirement preparedness.

As a business owner, there are many ways you are able to reduce your taxable income and keep more money in your pocket. On the following pages, we've outlined three of the most important tax-saving strategies.

What You'll Learn...

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Tax Savings Through Retirement Plans

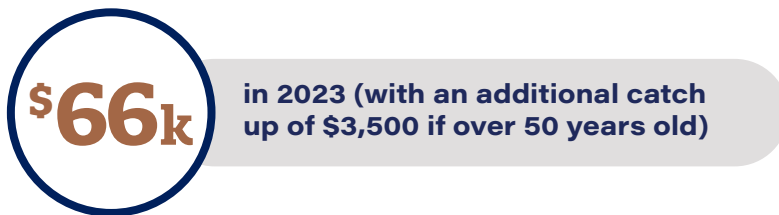
Business owners may be able to reduce their taxable income through the implementation of retirement plans. Contact Trost Financial to create and implement a customized retirement plan for you and your business.

Here are a few options:

- **Simplified Employee Pension (SEP) Contributions**

- » A SEP Individual Retirement Account (SEP IRA) may allow business owners to provide retirement benefits for themselves, while doing the same for their employees. The investment percentage must be the same for employees as for the owner, after a 3-year waiting period from the start date of the plan.
- » All contributions are tax deductible, even those made to owner accounts.

Per [IRS.gov](https://www.irs.gov), 2023 contributions **cannot exceed the lesser of:**





- **401(k) and Employer Sponsored Plans**

- » Traditional 401(k): A retirement plan that allows you to invest part of your income, using pre-tax contributions. This can help increase your tax-deferred investments during your career. At retirement, the withdrawals will be taxed at the ordinary income tax rate. All contributions are tax deductible, even those made to owner accounts.
- » Roth 401(k): Similar to a Traditional 401(k), except that contributions are made with after-tax dollars and are not deductible. Also, there is no required minimum distribution (RMD). The investments grow tax free and the withdrawals will not be taxed when they are received by the investor.
- » 401(k) Options: As a business owner, you can match employee contributions. There may be a waiting period to begin contributions, and you can deduct the amount of the employer contribution. The percentage match must be the same for all employees, including the owners. The IRS incentivizes companies with less than 100 employees to create 401(k)s by offering money to offset startup costs.
- » The maximum contribution is \$22,500. For those 50 and older, there is a catch up provision allowing for an additional \$7,500 contribution for a total of \$30,000.



- **Defined Benefit (DB) Plans:**

- » These plans provide predetermined payments to employees upon retirement or termination of employment. The payments are decided by many factors, including the number of years employed, earning history and age.
- » A few requirements to take into consideration with defined benefit plans:
 - a. All plans must be set up with a third-party administrator (TPA) and can therefore be costly.
 - b. Depending on the age of the participants, employer contributions can be quite large.
 - c. Typically, this is the most efficient for owners in their late 40s to early 50s.
 - d. There is a lifetime cap for deductibility.
 - e. Employees may be carved out and do not have to be included in the plan (this is determined by the TPA and the owner).

- **Individual 401(k)**

- » An Individual 401(k) – also known as a solo 401(k) – is a retirement plan that can maximize your savings if you are self-employed or if you are a partner in a business whose only employees are the partners and their spouses.
 - a. The business owner can contribute as both an employer and an employee.
 - b. Employer contributions can be up to 25% of compensation, not to exceed \$66,000 for the 2023 tax year.
 - c. Contributions are generally deductible as a business expense and aren't required every year. When the contributions are made, however, all participants must receive the same percentage.

How to Work Effectively with your CPA & Professional Teams

Like any team, the partnership between you, your accountant and your financial team is vital to its success. A business owner's time is often stretched across the many areas of his or her business and personal lives. Finding time to proactively address tax-related matters can be difficult as a result.

The following schedule is the ideal meeting cadence for business owners to get ahead of his or her tax and financial planning. We do not recommend waiting until the last minute to address these important topics. Be sure to involve the relevant team members from your business in these meetings, as needed.

In addition to the points below, ensure that your accountant and financial planner are working in tandem throughout the year. If you are in need of an accountant who specializes in the needs of business owners, our team is happy to provide referrals.

Important Deadlines & Touch Points for Business Owners

January 15

Estimated Tax Payment #4 is Due.

January 31

Due date for all 4th Quarter and Annual Payroll

Taxes, W-2s and 1099s

March 1

Attendees:

Business Owners, Outside Accountant, Financial Advisor

Discussion:

Meet prior to filing taxes. Discuss filing an extension to allow for funding of retirement plans.

March 15

Due Date for Filing Tax Returns of Partnerships, LLCs and S Corporations (or extension)

April 15

- Due Date for Filing all Personal Tax Returns (or extensions)
- Due Date for Filing Tax Returns for Calendar Year (corporations or extensions)
- Estimated Tax Payment #1 is Due.

April 30

1st Quarter Payroll Tax Forms Due.

June 1

Attendees:

Business Owners, Outside Accountant, Financial Advisor

Discussion:

Semi-annual check-in to discuss business growth and financial matters.

June 15

Estimated Tax Payment #2 is Due.

July 31

2nd Quarter Payroll Tax Forms Due

September 15

- Estimated Tax Payment #3 is Due.
- All 3/15 Extensions Due.

October 15

All 4/15 Extensions Due.

October 31

3rd Quarter Payroll Tax Forms Due.

December 1

Attendees:

Business Owners, Outside Accountant, Financial Advisor

Discussion:

Meet to review P&L statements through Nov 30 of the current year.

December 15

Corporate Estimated Taxes Due.

December 15

Attendees:

Business Owners, Outside Accountant, Financial Advisor

Discussion:

Meet prior to filing taxes. Discuss filing an extension to allow for funding of retirement plans.

Review the following:

- Accounting data implementation of strategies to maximize deductions in the current year.
- Ensure all expenses are in place before year-end.
- Discuss the level of businesses and additional compensation to award employees.
- Discuss charitable giving.
- Review the opportunity for equipment, furnishings or other depreciable assets and the impact on your taxes in your current year.
- If a C-corp, discuss the level of retained earnings.

December 29

Attendees:

Business Owners, Outside Accountant, Financial Advisor

Discussion:

Touch base to ensure all year-end strategies have been implemented.



How the Latest Tax Laws Affect Your Business

Everything has changed regarding your retirement savings, with the passing of the SECURE Act 2.0. As a business owner it is very important that you review these changes. At Trost Financial we can work together to make the necessary adjustments. Work with your financial planner to make the necessary adjustments.

What is the SECURE Act 2.0?

This law builds on earlier legislation that increased the age at which retirees must take required minimum distributions (RMDs) and allowed workplace saving plans to offer annuities, capping years of discussions aimed at bolstering retirement savings through employer plans and IRAs.

While SECURE 2.0 contains dozens of provisions, the highlights include:

- RMD Commencement Age: The age at which retirees must begin taking RMDs from IRA and 401(k) accounts has increased from 72 to 73 in 2023. This simply delays distributions and does not affect the amount to be distributed.
- Legislation highlights continued on the next page.

- 529 Plan Changes: You can now take advantage of penalty-free rollovers from IRC 529 accounts that have been open for more than 15 years, to Roth IRAs (subject to annual Roth contribution limits and a \$35,000 lifetime cap).
 - » It's important to understand that this rollover is intended for the beneficiary, not the account owner. If your children do not use their 529 funds for educational purposes, you have created a tax-free retirement fund for them to use in the future.
- Matching for Roth Accounts: Employers will be able to provide employees the option of receiving vested matching contributions to Roth accounts. Keep in mind it may take time for plan providers to offer this and for payroll systems to be updated. Previously, matching in employer-sponsored plans were made on a pre-tax basis. Contributions to a Roth retirement plan are made after-tax, after which earnings can grow tax-free.

Learn more about the changes within [SECURE Act 2.0 in our recent blog](#).

While SECURE 2.0 provides increased opportunities to save for retirement, everyone's financial situation is different. As always, consult your financial planner to understand how SECURE 2.0 changes apply to you.



Let's Start the Process!

The team at Trost Financial specializes in working with business owners to navigate the financial complexities of business ownership and transition to, and through, retirement.

Contact Us To Get Started

800-760-0200 | info@trostfinancial.com

From left to right: Michael Mora (Integrated Planning Coordinator), Nicole Reisberg (Marketing Director),

Greg Trost (CEO & Succession Planning Strategist), Carrie Geist (Business Growth Coordinator), Jim Watson (Vice President). [Get to know our team!](#)

Congratulations!

You've taken the first step in getting on the right financial track – educating yourself.

The next step is working with a financial advisor who knows the ins and outs of financial strategies for business owners.

Contact Us To Get Started

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The registered representatives are with, and securities and advisory services offered through LPL Financial, a registered investment advisor, Member FINRA / SIPC. Trost Financial and LPL Financial does not provide tax advice. Clients should consult with their personal tax advisors for tax advice.