Retirement Plans for Self-employed Individuals #United States. Internal Revenue Service

The best self-employed retirement plans include the SEP-IRA, Solo 401(k), and the SIMPLE IRA. Here are some details on each!Â Shifting from working for an employer to self-employment can be tough financially, because the burden of setting up a lot of the â€œfinancial toolsâ€ for your future shift to you. When you work a job, your employer takes care of your insurance (or at least offers you options), and your retirement is typically through company-sponsored 401(k)s or maybe even a pension. Now, once you become self-employed, you have to do it yourself.Â The net compensation for self-employed individuals is the net profit from Schedule C minus half the self-employment taxâ€"as you see, that comes AFTER individual 401(k) contributions. This 401(k) plan for self-employed individuals allows you to contribute up to $18,000 plus 20% of your business income (with a cap of $54,000 in 2017). If you are older than 50, the deferral limit is $24,000 for 2017 and the cap is $60,000. As with a SEP, you have the option of contributing little or no money in leaner years. This type of plan requires more paperwork than a SEP IRA.Â To learn more about the retirement plans available to the self-employed, along with other ways to reduce your tax burden, see Working for Yourself: Law & Taxes for Independent Contractors, Freelancers & Gig Workers of All Types, by Stephen Fishman (Nolo). Legal Information & Products from Nolo. Business Formation. Self-employed? Use our calculator to determine the maximum contribution amount for different types of small business retirement plans.Â Compensation for a self-employed individual (sole proprietor or partner) is that person's earned income.* The starting point to determine the individual's earned income is the net profit amount from the Schedule C (or Schedule K-1 for a partnership). Use this calculator to determine your maximum contribution amount for the different types of small business retirement plans, such as Individual(k), SIMPLE IRA or SEP-IRA. *Earned Income = Net Profit â€" 1/2 of Self-Employment Tax â€" Contribution. For self-employed workers, setting up a retirement plan is a do-it-yourself job. There are four available plans tailored for the self-employed: one-participant 401(k), SEP IRA, SIMPLE IRA, and Keogh plan. Health savings plans (HSAs) and traditional and Roth IRAs are two more supplemental options. Growth in Self-Employment. A 2019 study conducted by the Freelancers Union and Upwork estimates that there are 57 million freelancers in the U.S., an increase from 53 million reported in 2014.Â There are four retirement savings options favored by the self-employed. Some are basically single-player 401(k) plans, while others are based on individual retirement accounts (IRAs). They are: One-participant 401(k). Self-employed individuals have the autonomy to choose when and how they work. But they also have to take the initiative to prepare for their own retirement. Entrepreneurs have several options to save for retirement, some of which qualify for tax benefits. Consider these retirement plans for the self-employed: Traditional IRA. Roth IRA.Â The ideal retirement account for self-employed workers depends on how much you will be able to save, whether you have employees and how much administrative complexity you are willing to take on. "While administrative requirements should not be the sole reason of deciding on an account, it is a factor that needs to be considered," Vazza says.