

---

## A one-person defined benefit plan? Who knew?

---

By Editorial Staff    Thu, Oct 16, 2014

---

*Personal DB plans are a potential alternative for physicians, sole practitioners, small businesses and small companies with only a few employees, according to the CEO of a company in the field.*

---

High-income self-employed taxpayers - as well as others who earn large incomes from side work such as consulting and speaking - can save on federal taxes and accumulate retirement savings by setting up an defined benefit retirement plan, according to the CEO of a "micro DB" plan administrator.

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 eight and a half months after the end of the tax year if the taxpayer files extensions, said Karen Shapiro of [Dedicated Defined Benefit Services](#) LLC, in a release.

As an example, she offered the hypothetical case of 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, he 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, she said.

At retirement or plan termination, taxpayers can roll it over into an IRA, allowing the assets to keep growing tax-deferred until withdrawal. DB plans are a potential alternative for physicians, sole practitioners, small businesses and small companies with only a few employees. For more information about setting up a DB plan. To estimate potential tax and retirement savings, use the online calculator at [www.onepersonplus.com/smallbusiness/pen.html](http://www.onepersonplus.com/smallbusiness/pen.html).