Staking a Solo 401(k) Claim

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To Roger Green, the idea of running a financial planning service without offering solo and Safe Harbor 401(k) plans would be like "running a restaurant without offering appetizers and desserts. People would not walk away feeling satisfied," he says.

While Green concedes that the retirement plans are not the mainstay of his business, he estimates that the bulk of assets under his management — including individual accounts and solo 401(k)s, but not including Safe Harbor plans — is "north of $150 million."

Green says he loves Safe Harbor plans because there is no top-heavy testing and everyone can contribute whatever they want.

"Everything an employee puts in has to be matched 100 percent on the first 3 percent and 50 cents on the dollar for the next 2 percent. But, if your employees aren't interested and don't contribute, you don't have to match [the next 2 percent]. In a simple plan," he continues, "for the next couple of years there's a tax credit for establishing employee plans, so part of the cost is a credit of up to $500."

He says that solo plans, which can include an owner, a partner and their spouses who work in the business, are business magnets.

"When [I] work closely with these clients setting up the plan, they're going to become [my] clients for a while and eventually become just [my] client," he says, noting that the flexibility and investments of solo 401(k) plans are very attractive.

This year, an owner-employee can contribute 100 percent of the first $13,000 he earns, plus 25 percent of everything over that until he reaches the maximum contribution of $116,000. If he or she is over the age of 50, an additional $3,000 can be added to the pot. And

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the same rules apply to every eligible participant. Matches are immediately vested. Although costs can go higher, administrative fees start at around $100.

"This is an excellent way to start a business," Green points out. "Let's say a client left corporate America with a 401(k) and also has an IRA that amount to $100,000. He rolls that over into a solo 401(k), and then can take out as much as half the balance ($50,000) tax-free and pay himself back with interest — no penalties or taxes!"

In Georgia, where the courts, he says, are "very asset protective," 401(k) assets are usually exempt from creditors should the business fail and the owner declare bankruptcy.

A Certified Financial Planner and a Chartered Financial Consultant, Green also has a master of science in financial services from the American College. He conducts a weekly radio program in nearby Atlanta and has developed an asset allocation "methodology" that, he says, pre-dates and survived the bear market.

"I've always been a student of anything tax-related, so I focus almost exclusively on retirement income," he adds. "Anyone can tell you what mutual fund to buy. Most clients don't really care about that. What they care about is the tax deduction."

While Green has made himself a specialist in the small business retirement plan area, he advises others to simply take advantage of the help available from insurance companies and mutual funds.

"They'll come right into your office with letters, brochures and everything else, and even go on the first few calls with you," he points out. "Everyone wants to work with the small business owner. They're the largest pool of wealthy people in the world."

Still, aren't the fees from establishing solo and safe harbor plans a very limited way to get a foot in the door?

"I would say it's short-sighted to think of how much you make right away. I'm in my 30s, and I expect to be in this business for a long time. Frankly, I have 250 clients with accounts of $10,000 or less. Like participants in small business retirement plans, they're my future. I plan to be working with their heirs and with their grandchildren. They're my future, too."