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Since the earliest of times, as workers were required to pay taxes, there was the realization among those who understood saving for the future that Itâ€™s not what you make, itâ€™s what you keep that matters. They learned that Itâ€™s out of this after tax savings that they could support their families, earn a better lifestyle and help the people they cared most about.

This approach holds true today of course and will as long as there are taxes to be paid.

Although the headlines today seem to focus on the negative stories in this economy, we know there many entrepreneurs who just finished a record setting year in their business. These business owners not only made record profits but also launched new products, new services and saw their new ideas begin to get traction that will change the way we all live in the future.

Itâ€™s often during these record breaking years that as entrepreneurs we overlook the amount of tax dollars that slip out of the business we are so focused on growing. Many successful business owners also put their personal wealth plan off in the background because growing the company is our primary focus. Does any of this sound familiar?

Itâ€™s not until tax deadlines roll around that we begin to realize just how much capital disappears out of our lives in a year. Often it takes the pain of a very big tax bill to get an entrepreneur to make the changes that lead to implementing a plan which not only reduces the taxes paid by the company but at the same time rapidly builds a retirement plan for the principals.

A Million Bucks Today or the Penny that Doubles for 30 days

You may have had a teacher ask you an interesting question when explaining the magic of compounding interest. Would you rather have $1Million today or a penny that doubles in value every day for a month? Of course the correct answer is that magic penny, since after 30 days your total would hit over $5,368,700.

However, if taxes are taken out of your daily gains, and only the after tax amount is then allowed to double, your total for the month only comes to $782.25. That shows how much of an impact taxes have on building your wealth.

Building a Retirement Plan

Fortunately there are many ways to keep more of what you earn each year. For many business owners, their research into tax saving strategies leads them to funding a 401(k) or Solo-K plan. These plans produce an immediate positive impact both for the company as well as the entrepreneur. The company gains a tax benefit on every dollar it pays as a benefit into the employee/entrepreneur retirement account.

The entrepreneur sees an immediate win since their retirement plan grows with each deposit received from the company. Under todayâ€™s contribution limitation levels, up to $49,000 per year can be placed into an employeeâ€™s 401(k) plan when both a salary deferral and profit sharing contribution are made. For employees over the age of 50, the annual limitation moves up to $54,900.

Depending on what part of the growth cycle your business is currently in, you may feel that moving capital out of the company could slow its future growth. That may be true however putting a plan in

place now and starting with smaller annual contributions is a good habit to begin.

So often, the first year that the company experiences a huge tax bill is the year when the 401(k) plan is established. Many entrepreneurs get the bad news from their CPA that â€œeyes you can set up a 401(k) plan but you should have opened the account before the end of the year.â€•

The other objection entrepreneurs have to establishing a company sponsored plan often relates to the poor returns most investors experience from their 401(k) accounts. The below average returns are a result of the type of assets held in the plan which have commonly been stocks, bonds and mutual funds. From what Iâ€™ve witnessed a good entrepreneur makes far better returns on capital they control, than any Wall Street money manager can ever consistently produce.

Todayâ€™s Self Directed 401(k) plans give the entrepreneur so many options that didnâ€™t exist in the pa Now you can control the type of assets that are held in your account, to include real estate, precious metals, mortgages, as well as ownership in other businesses you control.

If you are like most entrepreneurs, you do what you do in order to gain the freedom that comes from building wealth. Instead of giving your wealth away in the tax system we all live within, try giving it away through a system you control, that at its foundation begins with funding a Self Directed Retirement Plan.

To learn more about Self Directed Retirement Plans and how you can easily diversify your investments into income producing tangible assets visit: www.IRAassets.com

Thom Garlock, Founder and CEO of IRAassets.com, is a best-selling author and educator in the Self-Directed Retirement planning industry. He has presented at various wealth conferences and has been active as a real estate investor and developer in the Jackson Hole, Wyoming area and in Southern California since 1985.

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James Stanley - About Author:
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