

Minerva
FINANCIAL ARTS

RETIREMENT SECRETS

INDIANA ARTS COMMISSION

November 2019

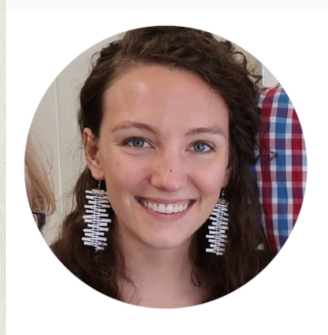
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WITH GRATITUDE...

Indiana Arts Commission



Anna Tragesser
Artist & Community Services Manager



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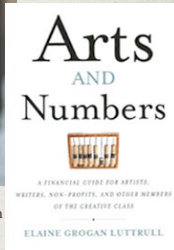


HELLO.



Photo credit: Kim Long Photography
www.kimlongphotography.com

Elaine Grogan Luttrull
CPA-PFS, AFC®
Founder, Minerva Financial Arts



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KENTUCKY Arts COUNCIL

Delaware Division of the Arts

cin

The Pew Center for Arts & Heritage

DEVOS INSTITUTE OF ARTS MANAGEMENT AT THE UNIVERSITY OF MARYLAND

BUSINESS ADVICE + RESOURCES + EDUCATION + TUTORIALS + ART M

PROFESSIONAL artist

Creative Capital

cerf+

AMERICANS for the ARTS

Columbus College of Art & Design

NEC NEW ENGLAND CONSERVATORY

Juilliard

SOCIAL VENTURES

Ohio Arts COUNCIL

gcac

FTN Financial Therapy Association

THE CLARK HULINGS FUND For Visual Artists

THE LARK

INDIANA ARTS COMMISSION

short arts district

tcg Theatre Communications Group

RISD

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Minerva FINANCIAL ARTS

WHAT ARE WE DOING?

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MORE SPECIFICALLY, WE WILL:

- LIST TYPES OF RETIREMENT PLANS AVAILABLE
- ESTIMATE TOTAL TO SAVE PER YEAR FOR RETIREMENT
- DEFINE BASIC RETIREMENT VOCABULARY

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TAX LAWS ARE NUANCED AND SPECIFIC, AND LEARNING ABOUT THESE TOPICS IN A GROUP SETTING IS NO SUBSTITUTE FOR CONSULTING WITH A PROFESSIONAL WHO KNOWS THE DETAILS OF YOUR UNIQUE SITUATION.

GROUND RULES

Share the Floor
with Respect

Experts in Own
Experience

Stories Stay,
Lessons Leave

WHY SHOULD I SAVE?

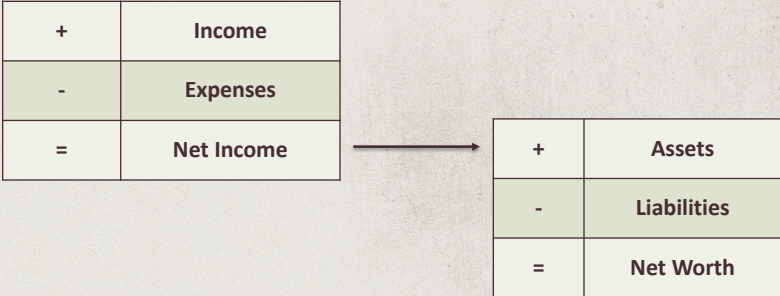
WHY SHOULD I SAVE?

Financial Security

+	Income
-	Expenses
=	Net Income

WHY SHOULD I SAVE?

Financial Security = Accumulation of Wealth



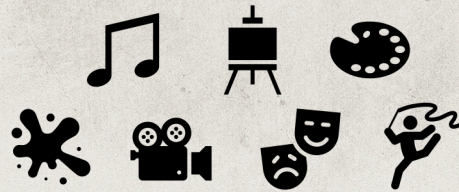
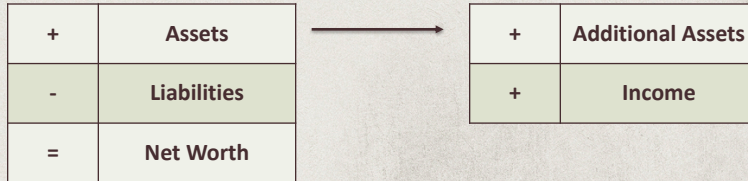
WHY SHOULD I SAVE?

Creative Security

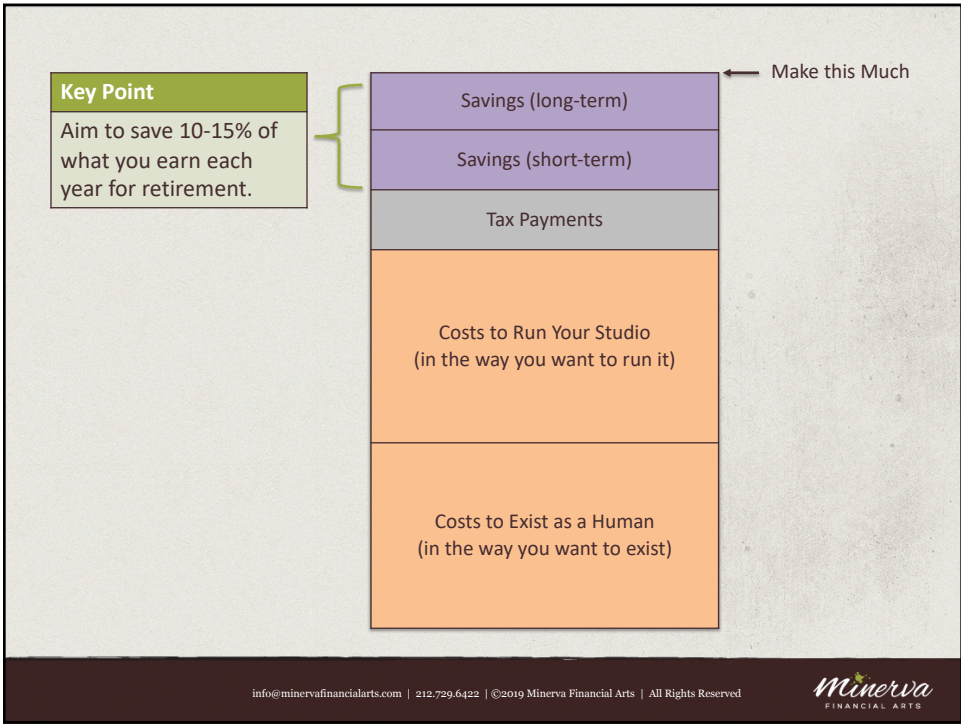
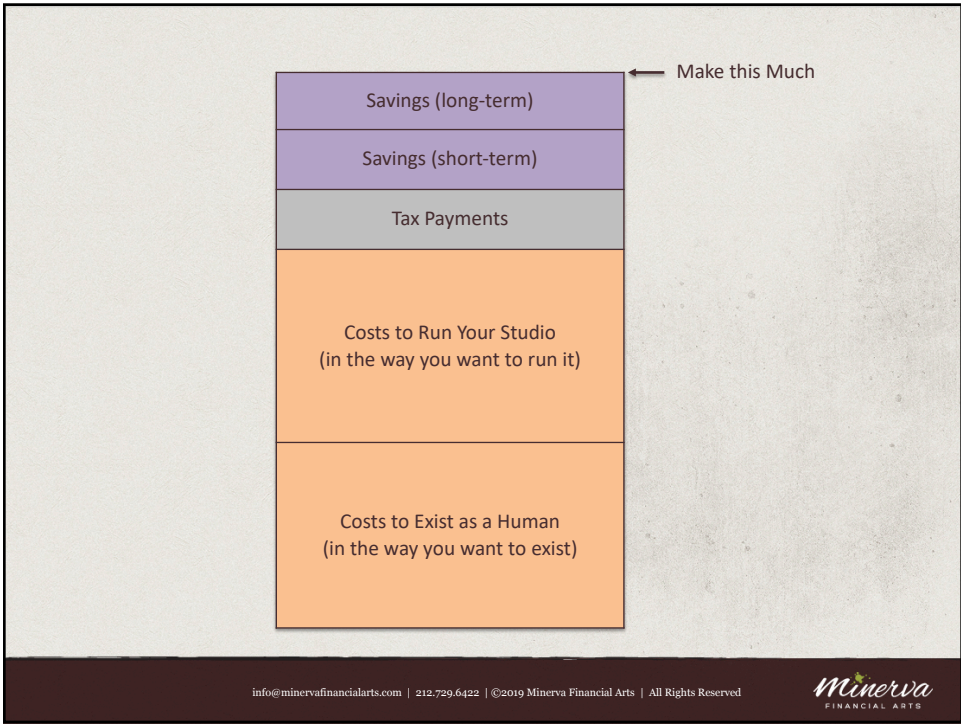
+	Assets
-	Liabilities
=	Net Worth

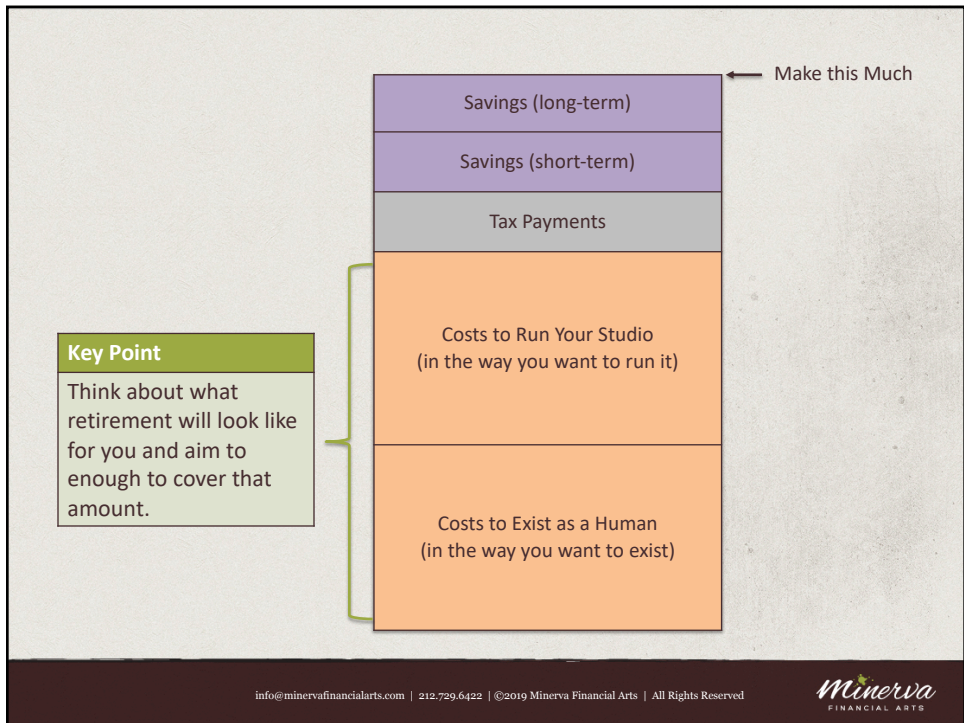
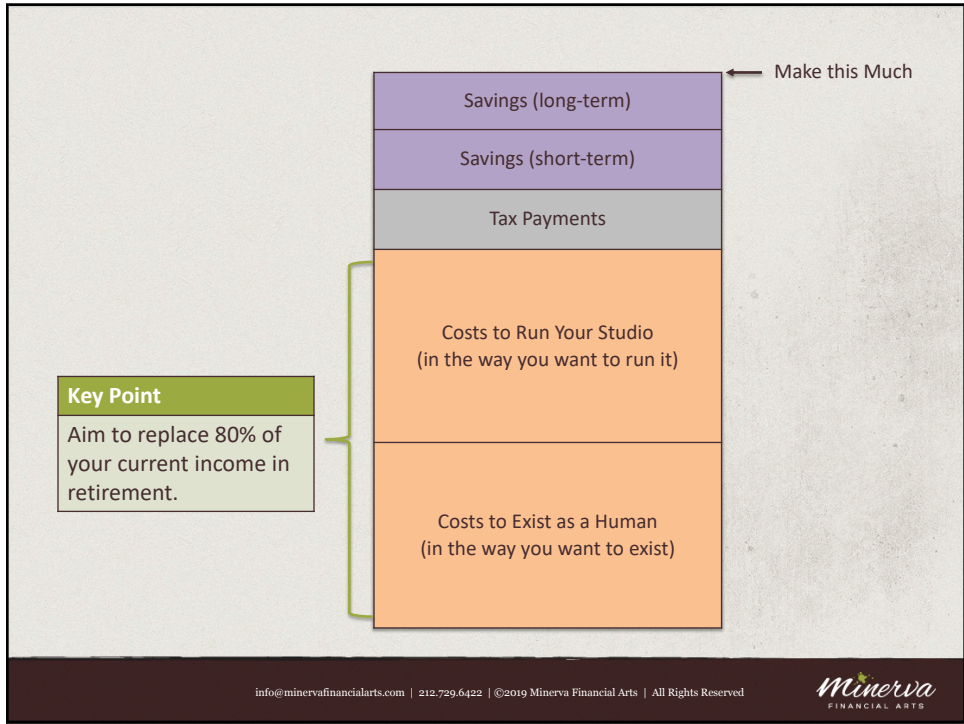
WHY SHOULD I SAVE?

Creative Security = Whatever You Want



HOW MUCH SHOULD I SAVE FOR RETIREMENT?





HOW MUCH SHOULD I SAVE FOR RETIREMENT?

Three Options:

- 1. Budget based on what retirement will look like for you
- 2. Aim to have income to cover 80% of your current expenses in retirement
- 3. Aim to save 10-15% of what you earn per year



HOW MUCH SHOULD I SAVE FOR RETIREMENT?

Retirement calculator

Tell us a few things about yourself, and this calculator will show whether you're on track for the retirement you want.

I am 48 years old, my pre-tax income is \$23,000 and I have current savings of \$15,000 ?

Every month I save ?
- \$192 +
10% of my monthly income

Optional >

How much will you need to retire at 67?

\$0.14M You will have about
\$0.51M You will need about

Retirement savings score

You're 26% to goal

Needs attention On your way Getting close On track

NerdWallet's Retirement Calculator Tool: www.NerdWallet.com/investing/retirement-calculator



HOW MUCH SHOULD I SAVE FOR RETIREMENT?

Stay Flexible.

- Your income probably fluctuates over time.
- Your needs may change over time.
- You'll need more if your retirement lasts longer than you plan for it to last.
- You'll need more if your retirement starts sooner than you plan.

How Do I SAVE FOR RETIREMENT?

HOW DO I SAVE FOR RETIREMENT?

1. Employer Benefits ←

Key Point
Maximize this if you have it, especially if it includes free money.



HOW DO I SAVE FOR RETIREMENT?

1. Employer Benefits

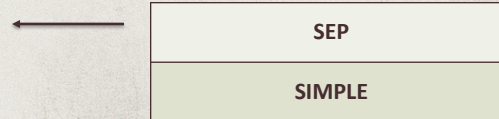
2. Your Own Savings ←

Individual Retirement Account
Contribute up to \$6,000 per year <i>(\$7,000 if you are older than 50)</i>
Tax deduction for this contribution <i>(may be limited if you make too much money)</i>
Tax deferred growth of account
Taxed when withdrawn in retirement



HOW DO I SAVE FOR RETIREMENT?

1. Employer Benefits
2. Your Own Savings
3. Your Self-Employed Benefits



SIMPLIFIED EMPLOYEE PENSION (SEP)

Definition: A SEP is a written plan that allows business owners to make contributions to their own, and their employees', retirement simply.

- Business makes contribution to an individual's SEP-IRA account
- Self-employed individuals have a business; the business may contribute to their own SEP-IRA account
- Business contributions do not affect an individual's contribution limit to an IRA
- Timing: Before tax return filed

SIMPLIFIED EMPLOYEE PENSION (SEP)

Contributions

- Limited to \$56,000 (for 2019)
- Limited to 25% of compensation*

*Net Earnings from Self-Employment
Gross income from trade or business
Less: Ordinary and necessary business deductions
Equals: Net earnings from self-employment



SIMPLIFIED EMPLOYEE PENSION (SEP)

Example

You are a musician who earns \$36,500 from various gigs during 2019.

Your ordinary and necessary business expenses total \$14,000, and you want to contribute \$3,500 to your own SEP-IRA for total business expenses of \$17,500.

Your net earnings from self-employment is \$19,000.

Your SEP-IRA limit is 25% of that, or \$4,750. (Your contribution of \$3,500 is less than that amount.)



SIMPLIFIED EMPLOYEE PENSION (SEP)

Example

Your net business income (\$36,500 - \$14,000 = \$22,500) is reported on Schedule C, then on Schedule 1 to Form 1040.

Additional Income	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
	14	Other gains or (losses). Attach Form 4797	14	
	15a	Reserved	15b	
	16a	Reserved	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Reserved	20b	
	21	Other income. List type and amount	21	
	22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	

SIMPLIFIED EMPLOYEE PENSION (SEP)

Example

Your SEP deduction is reported lower down on Schedule 1 to Form 1040. (This is where you would deduct your IRA contribution as well).

Adjustments to Income	23	Educator expenses	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	
	25	Health savings account deduction. Attach Form 8889	25	
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26	
	27	Deductible part of self-employment tax. Attach Schedule SE	27	
	28	Self-employed SEP, SIMPLE, and qualified plans	28	
	29	Self-employed health insurance deduction	29	
	30	Penalty on early withdrawal of savings	30	
	31a	Alimony paid b Recipient's SSN	31a	
	32	IRA deduction	32	
	33	Student loan interest deduction	33	
	34	Reserved	34	
	35	Reserved	35	
	36	Add lines 23 through 35	36	

SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE)

Definition: A SIMPLE is a written agreement that enables employees to make retirement contributions with an employer match.

- Individuals elect to contribute to SIMPLE
- Business matches individual contributions
- Timing: Before October 1

SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE)

Contributions

- Individuals may contribute up to \$13,000 (2019)
 - This counts toward the overall elective deferral limit of \$19,000 in 2019
- Company matches up to 3% of compensation

SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE)

Example

You are a sculptor who earns \$24,000 from sales, commissions, and grants during 2019.

Your ordinary and necessary business expenses total \$10,000, so your net earnings from self-employment is \$14,000. You choose to contribute 20% of your net earnings from self-employment to the SIMPLE-IRA. Your contribution is \$2,800.

Your business matches 3% of net earnings from self-employment, or \$420.

The total contribution from both parties for 2019 is \$3,220.



SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE)

Example

Your net business income (\$14,000) is reported on Schedule C, then on Schedule 1 to Form 1040.

Additional Income	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
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	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
	14	Other gains or (losses). Attach Form 4797	14	
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	21	Other income. List type and amount	21	
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SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE)

Example

Your SIMPLE deduction is reported lower down on Schedule 1 to Form 1040. (This is where you would deduction your IRA contribution as well).

Adjustments to Income					
	23	Educator expenses	23		
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24		
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	32	IRA deduction	32		
	33	Student loan interest deduction	33		
	34	Reserved	34		
	35	Reserved	35		
	36	Add lines 23 through 35			36

GREAT! HOW DO I DO THIS?

Both a SEP and a SIMPLE require a written plan, plus a unique IRA set up for each person.

- **SEP:** Form 5305-SEP from the IRS is probably your best bet (but there are some exceptions)
- **SIMPLE:** Form 5304-SIMPLE from the IRS is probably your best bet (but there are exceptions)

Key Point
Timing is key. The deadline to set up a SEP is when you file your tax return. The deadline for a SIMPLE is October 1 of the tax year.

Key Point
Visit your favorite financial institution for help setting these up.

WAIT – WHAT DID WE JUST DO?



RECAP

Why to Save	How Much to Save	How to Save
Financial security	10-15% of income per year	Through your employer (maximize the match)
Creative security	Enough to replace 80% of your current costs	Through your own IRA
Just because	Enough to cover your costs in retirement	Through a SEP or SIMPLE (your business IRA)



RECAP

What should I do now?

- Check in with your overall retirement savings and see how your amount compares to some benchmarks.
 - Nerd Wallet’s retirement calculator can help.
- Figure out how much you can save for retirement this year.
 - Use your allies, especially your financial institution or your tax preparer. (Bonus points for community engagement.)
- Save that much, either through your own IRA or a SEP through your business.

ANY FINAL QUESTIONS?

LIST TYPES OF RETIREMENT PLANS AVAILABLE
ESTIMATE TOTAL TO SAVE PER YEAR FOR RETIREMENT
DEFINE BASIC RETIREMENT VOCABULARY

Key Point

Publication 560 from the IRS is wonderful. (Seriously.) It covers retirement plans for small businesses.

WITH GRATITUDE...

Indiana Arts Commission

Anna Tragesser
Artist & Community Services Manager



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FINANCIAL ARTS

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