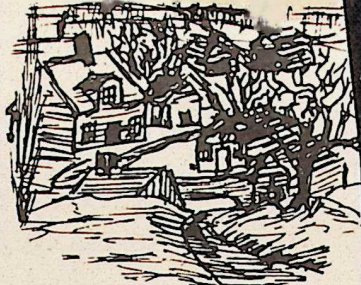


# Village View by Andrea Leonard



If trying to "get ahead" sometimes seems futile, the new federal pension law may offer some encouragement to self-employed persons and "moonlighters".

If it seems the more money you earn, the less you get to keep, the new pension law may offer you a way not only to lower your taxes today, but to increase your income after you retire.

Federal income taxes increase proportionately as your income goes up. If you earn more this year than last, or if you're working more than one job, you've probably slipped into a higher bracket and find yourself feeling as though you're paying almost as much more in taxes as you received in additional income.

The new pension law provides an incentive to the self-employed to put some aside and deduct that portion from current taxable income.

Thus taxable income can be brought to a lower tax bracket while, at the same time, a retirement fund is built.

Say you earn \$10,000 a year at your regular job, and an additional \$2,000 on the side. Maybe you get paid for refinishing furniture in your spare time. Maybe you do odd jobs, babysit, are a Mr. Fix-it or a Gal Friday. You earn extra cash you must legally report as income, but none of those people withhold taxes or Social Security from your pay for those services.

Or perhaps you're entirely self-employed: a carpenter, painter, salesman, insurance or real estate agent.

You don't work for a company with a pension plan and it looks as though your only retirement income will be Social Security. Is that going to be enough?

The new pension law is designed to help you. It provides a way to start your own pension fund and also gives you a tax break now.

Later, when you do retire, you'll have to pay taxes on your pension income, but as your total retirement income will undoubtedly be less than you presently earn, and as you'll have an extra personal exemption when over 65, your taxable income will be considerably smaller. Therefore, your tax will be a smaller percentage. Social Security income is not taxable at all, of course, under the present laws.

How does this work?

For you who are entirely self-employed, up to 15% of your earned income, to a maximum of \$7,500 a year, can be set aside for pension purposes. Money deposited in such a fund may not be withdrawn without tax penalty until you're 59½ years old; withdrawals must start on or before you're 70½.

Say you're 40 years old now and self-employed, earning \$10,000 a year. You may divert \$1500 a year to your personal pension plan.

Anytime between the age of 20 and 65, you can start using income from your fund to help provide a comfortable retirement. If you've put aside \$1500 annually for 25 years (between the ages of 40 and 65, say), you'll have invested \$37,500 in your pension.

You could expect to get back around \$50 a week, or better than \$200 a month, from such a fund; perhaps more if the fund earns, either through interest or growth. Together with Social Security, you could be in good shape.

There are several plans available. You may choose one guaranteeing a certain number of dollars a month. Another example is a Bond Fund. Or you may decide to purchase a "variable annuity which will fluctuate with the stock market and may give you more protection against possible inflation at the time you retire.

Historically, in times of inflation the stock market drops, but when the inflation rate declines and the economy stabilizes again, the stock market rises. Industry's planning for higher costs catch up with effects of inflation. Anticipated earnings may reflect favorably after a period of inflation has been brought under control.

This, at least, has been the experience on Wall Street in the past; it can only be assu-

med history will repeat itself. The only basis we have for predicting the future is past performance.

Many insurance companies offer these plans. The new pension law also provides protection to participants by setting up a system similar to federally insured savings accounts in banks.

This system is designed to protect pensioners against possible failures of the insurance companies and to guarantee support of the pension plan in which you invest part of your self-employment income.

If you're looking ahead to a bleak retirement, if you're wondering how you'll survive on Social Security payments alone, if you have difficulty putting money aside on a regular basis to supplement your anticipated retirement income -- building your own pension may be a lot easier now.

If you commit yourself to a deferred income annuity plan you can meet a good portion of the additional expense with money you'd otherwise be passing over to the federal government in income taxes on your total earnings.

This break for the self-employed is well-worth studying and even sacrificing for. Taking advantage of this opportunity now can mean you'll live above the poverty-level after you're retired.

Best of all, this plan offers "the little guy" an incentive to get ahead, earn some extra money, and a chance to "put something by" and help himself to a more financially-secure old age.

Even the person with a small income from self-employment may invest up to \$750 a year in this kind of program. For instance, if you earn \$2,000 a year outside your regular employment, the new law permits you to set aside as much as \$750 of that income to build your own pension. This is a real break for those who earn only a small amount on the side.

If you're 40 years old, \$750 a year can build a pension fund of \$18,750 in 25 years. Your retirement income could well be increased by around \$100 a month from a fund this size. Adding that to your Social Security income could mean you're comfortably situated.

And the beauty is, you don't have to pay income taxes today on the money you put into your pension plan, even though you earn it now. That income, then, is deferred, and the taxes deferred until you actually begin to use it as income.

For example, you earn \$10,000 a year from self-employment. You set aside \$1500 for your pension. That leaves you a gross income of \$8,500 upon which to figure your taxes. This will help bring your current income taxes to a more reasonable figure.

For the part-timer who annually earns \$750 or more in self-employment, the plan provides that up to \$750 (that's right, all of it in some cases!) may be invested in your pension fund. If you earned \$750 and put it all into your fund, none of it would be taxable now. If you earned \$2,000 you're permitted to the same \$750 amount and taxable income from self-employment would be \$1,250.

How does the average person get such a plan started? The most direct route is through a knowledgeable and reliable insurance agent representing a company already offering federally-approved annuity plans.

Your agent will explain to you the advantages of the plan, as well as any possible disadvantages that might affect your personal situation. He'll show you two or three alternatives, and you'll then be able to decide if this pension planning is something you want and something your budget can handle.