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A sculpture called "Quadriga," featuring four 9-ft. bronze horses and a Carolina bird of prey, welcomed BPAA Bowling Summit attendees to the host Belmont Charleston Place hotel. Page 46.

Flooring and carpeting make a huge impression. Industry experts explain how to make sure the impression your center projects is positive. Page 64.

Time for a (Tax) Savings Spree

How your savings can also be savings for your employees.

The year 2016 was a good one at our center. League demand mostly stabilized, open play continued to grow with new initiatives, and the food and bar business marched on incrementally. With no price increases introduced, revenues grew almost exclusively through attendance.

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That's something to celebrate: more guests, more revenues, more earnings.

If your center is in a similar position, there are essentially three options for your excess profits: reinvest them in the business, spend them on something nice and "shiny" for yourself, or go on a savings spree.

As bowling proprietors, we are slaves to multiple calendars — marketing and events, equipment maintenance, and numerous league starts, byes and conclusions, to name a few. But the one that should be top-of-mind right now is the tax calendar which, according to a Vanguard Group study, runs more than a year.

Vanguard found, "on average, 41% of the dollars contributed to IRAs for any given tax year are invested between January and April of the following year." With that April date around the corner, our thoughts turn to taxes, tax vehicles, and how to minimize the taxes we pay.

Here are several options that may contribute to that savings spree…

IRA Plans

There are many different IRAs to consider when saving for retirement, so spend some time understanding the nuances.

- **Traditional.** The best-known tax-advantaged savings vehicle is the traditional IRA. You contribute pre-tax dollars to your retirement account, reducing current income and taxes. Those savings grow tax-deferred until they are withdrawn at retirement, at which point taxes are paid at your ordinary income rate.
- **Roth.** The Roth IRA is similar, except that contributions are made after tax. So while there are no immediate tax savings, investments grow tax-free and withdrawals are tax-free.
- **SEP.** An idea I like even more for small-business owners and self-employed individual proprietors is a SEP IRA. SEP is short for Simplified Employee Pension. On top of the $5,500 that can be saved each year in a traditional or Roth IRA, you can build your retirement nest egg even further, contributing as much as 25% of your income ($53,000 maximum for 2016) *and* simultaneously reduce your taxable income.

Typically, a SEP IRA is less complicated and less expensive to maintain than other small-business retirement plans, such as 401(k)s. The process for setting it up is straightforward and easy. Funding can be done the same day.

They also are flexible, as annual contribution rates can vary based on the profitability of your business that year. A SEP can also be financed as late as the due date of the tax return.

Like any traditional or Roth IRA, investment income in the SEP IRA is tax-deferred. And the plan can be offered to eligible employees.

- **SIMPLE.** That stands for Savings Incentive Match Plan for Employees. At first glance, SEP and SIMPLE IRAs look similar. Both plans are specifically designed for small businesses. They are easy to set up, easy to manage and, unlike 401(k) plans, there are no annual IRS reporting requirements. But there are some important differences between the two.

The major differences are that with a SIMPLE IRA, 1. employees may choose to make contributions toward the plan directly from their salaries, and 2. the owner can make contributions, matching or non-matching.

Because of this feature, these plans are largely funded by your employees, with limited employer contributions required. That's better for you, the owner, but there are some offsets, like required employer contributions, and more onerous early withdrawal rules that may require the funds to be seasoned for two years to avoid an early withdrawal penalty.

401(k) Plans

Most business owners associate retirement savings accounts with 401(k) plans. But as we mentioned, it does not have to be that way. Choosing the right retirement savings vehicle is a function of many factors, including the size of your organization, your business goals, and the motivation of your employees.

Generally, larger companies set up 401(k) plans. A bigger participant base makes the setup and administrative costs that these plans entail less burdensome — although recently, we've seen new business startups streamline some of these costs and headaches, making the 401(k) a more viable alternative for small businesses.

Still, there is a higher standard for administration, including requiring written policies and procedures and regular board meetings. Fiduciary responsibilities are not to be taken lightly, either, and this plan places more of that burden on management.

So why choose a 401(k) plan? From the employee's standpoint, there are higher annual contribution limits, allowing one to save substantially more pre-tax. This would be on top of their IRA contributions, if they could swing saving so much.

From the employer's perspective, 401(k) plans help to attract and retain employees. You might even "match" those employee contributions, providing a powerful retention incentive.

Unlike SEPs or SIMPLE IRAs, employer contributions may also be subject to a graded vesting schedule, if desired. And should you ever need access to your money, you can borrow against your account.

Teaching our employees how to save responsibly is our responsibility. It would be great if you'd encourage them to at least open an IRA and then allow for contributions to be made through payroll deductions. Suggest they take half of any raise or bonus and invest it for retirement. Tell them that it's possible to become a millionaire on a $50,000 salary, because it is — if they start early and have discipline.

Setting up the right plan for your business and your employees gives you a lot to think about. There are pros and cons to each of the options. It's like the good, better, best business decisions we make every day. Any choice is a good one, as long as you get started.

With tax season upon us, these savings can result in a win-win for you and your employees, and a savings spree for all.

Ron Getto owns and operates Starlite Lanes, a 16-lane bowling center in Flagstaff, Ariz. Prior to its acquisition, he spent 22 years on Wall Street as a financial services executive, with management expertise in operations, compliance, production, and client relations across equity, debt, and alternative investment products. He is a co-founder of Four Peaks Wealth Management, a fee-only based investment advisor, serving individuals and small businesses. Learn more about intelligent investing at fourpeakswealth.com.