VANTAGE POINTE
Vantage Financial Partners Limited

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# POST-RETIREMENT CONSULTING

Early retirement is becoming more popular with some of our clients. They often ask us, "I would like to continue working as a consultant, but how should I set up my new career?" To discover an answer, it is important to explore possible variables and consider both legal and tax implications. Will this be a full time job, or a part time source of spending money? Will it be a long-or-short-term project? Will I need to hire others as well?

Although Vantage does not offer legal or tax advice, we will discuss general considerations in this newsletter knowing they can be explored further with the help of individual advisors. With that said, we will focus briefly on two important topics for those interested in post-retirement consulting: legal liability and tax considerations.


## LEGAL LIABILITY CONSIDERATIONS

The most pressing concern for many people interested in offering post-retirement consulting involves potential legal liability and the protection of retirement assets in the case of allegations from a disgruntled client.

An individual can operate a consulting business as a sole proprietorship where there is no legal distinction between the individual and the business, and all debts of the business belong to the proprietor. If consulting will be limited to a few projects initiated by a previous employer and nothing more, perhaps a sole proprietorship could be the easiest way to operate.

If, on the other hand, one plans to solicit a number of potential clients and expects to do this in an ongoing manner, it would be best to set up a separate legal entity to limit any potential liability of the business from spilling over and affecting personal wealth. This can be done in a variety of ways. The most common choices are the Sub-S Corporation or the Limited Liability Company (or LLC). Until recently, the Sub-S Corporation was the more traditional choice, but with the advent of the more flexible LLC many new businesses are opting to use it instead. From a governance perspective, the Sub-S Corporation restricts the number and type of shareholders, and requires a Board of Directors, annual meetings, and more reports than the LLC. It is easier and often less expensive to set up a LLC than a Sub-S Corporation.

> *"…it is important to explore possible variables and consider both legal and tax implications…"*

## TAX CONSIDERATIONS

A consulting practice may be most tax-efficient when the legal entity is a flow-through vehicle allowing all income and expense to flow through to the owner's personal tax return. Both the Sub-S and LLC are flow-through entities for tax purposes, although an individual must elect flow-through status for the Sub-S.

If one plans to work from home, there will be opportunities to write off home office expenses in the business, but the IRS has definite rules in this area so care should be taken to keep very good records. If intending to rent an office, he or she should make sure to sign the lease on behalf of the LLC or corporation unless the landlord insists on a personal contract.

When business is profitable, it is important to take advantage of pension plan deductions for a small business. If an individual retires while subject to a company pension plan or other qualified plan (e.g. 401(k) plan), and begins consulting in the same calendar year, it is likely that he or she will be limited in making a tax deductible contribution to a plan. In the years following, when an individual is no longer participating in a company qualified plan, it is possible to set up a pension or individual 401(k) plan that allows him or her to deduct up to approximately $50,000 per year. However, if additional people will be hired, there are important issues to consider before settling on a plan.

There are many other factors influencing the operation of a consulting business, but legal liability and tax efficiency are the two major ones that generally dictate the choice of entity. Once the legal entity is determined, then other important detailed business decisions can be made. For further discussion on the topic of post-retirement consulting, feel free to contact your Relationship Manager.



# VANTAGE NEWS

Vantage Financial Partners Limited is proud to announce our sponsorship of ***The Frugal Golfer***. Hosted by PGA Trick Shot Artist Peter Longo, The Frugal Golfer includes money saving tips for those wanting to enjoy 18 holes without ending up with a hole in their pocket. These spots run for 90 seconds during the golf radio shows listed below and will feature a new tip each week including simple but effective ways for today's golfer to save money. For those within the listening area, tune in each week. For those outside of the broadcast range, be sure to listen online. The Frugal Golfer will run for 7 weeks on the "Golfers on Golf" Monday night show and 9 weeks on the "Scorecard Golf" show on Saturday mornings. Be sure to share with your friends and let us know what you think.

Golfers On Golf radio show, Monday evenings 6 to 7 PM, station 1530AM - Listen online

The Scorecard Golf radio show, Saturday mornings 6 to 8 AM, on WSCR the Score 670AM- Listen online