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Benefits Without the Boss



Lurking under the recent improvement in jobs numbers is another challenge for workers: how to cope when the work doesn't come with company benefits.

Government data show that about 8.6 million people last year worked part-time because they couldn't find full-time work, up from just 4.4 million in 2007. As of December, another three million were in temporary jobs, and millions more are self-employed or in full-time jobs that don't offer benefits.

That means many workers are on their own in finding health insurance, retirement plans or other benefits like disability insurance. Many others would like to set out on their own, but are reluctant to give up their benefits package.

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If you are self-employed you are also the employer, and can create your own tax advantaged retirement savings solutions.

Savings Incentive Match Plan for Employees (SIMPLE) IRA Accounts

SIMPLE plan accounts are employer sponsored retirement plans with generous employee contribution limits. Generally, you can contribute up to \$11,500 (unchanged from 2011) per year if you are less than 50 years old or up to \$14,000 (unchanged from 2011) if you are 50 years old or older. Additionally, employers are required to make contributions to your account on an elective or nonelective basis. The maximum elective match is 3% of compensation, not to exceed \$11,500 (unchanged from 2011) if you are less than 50 years old or up to \$14,000 (unchanged from 2011) if you are 50 years old or older. The nonelective contribution is 2% of compensation based on \$250,000 (up from \$245,000 in 2011) maximum considered compensation.

Traditional and Roth Individual Retirement Accounts (IRAs)

In lieu of or in addition to employer sponsored retirement plans, you can contribute to an IRA. You can contribute up to \$5,000 (unchanged from 2011) per year if you are less than 50 years old or up to \$6,000 (unchanged from 2011) if you are 50 years old or older. The Traditional IRA provides pre-tax or post tax contributions (based on your income and employer sponsored retirement plan status) and tax deferral.

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