Farm Retirement Plan Available

An improved income-tax-deferred retirement program is now available to farmers and other self-employed persons, says W. T. McAllister, extension farm management specialist at the University of Delaware. Starting this year, self-employed persons can set aside up to 10 percent of their taxable income, or $2500, whichever is smaller.

Basically, the new law is designed to give the self-employed the opportunity to build a retirement program with tax-free income similar to retirement plans now enjoyed by employed persons.

Dollars put into the retirement program are not actually tax free, explains McAllister. Tax is merely deferred until retirement. The taxes are paid when the money is withdrawn as income during the retirement years.

This law has a good deal of merit for farmers, says McAllister. However, they will want to study it closely before committing themselves to any long-term retirement program

Principal advantages of the program are that it provides systematic savings to supplement Social Security and other retirement income· it also provides the opportunity to delay taxes on money in the retirement fund until after retirement. "In reality, this is like taking money from one pocket and transferring it to the other," he says "But in the process, a tax saving results "

Farmers who elect to begin a retirement program must include employees who have worked for them three years or longer. Payments based on their income must be the same percentage which the farmer contributes to his own fund. An employee who works at least 20 hours a week for five months during a calendar year is considered as having worked a year.

Money contributed to retirement plans must be put into certain types of investments and the overall plan must be approved by the Internal Revenue Service Invested funds may not be used as collateral and once the program is established, it must be continued Failure to continue an established retirement program may result in heavy penalties.

For farmers, the major consideration is whether tax deferred privilege plus income earned through investment in the retirement program is greater than earnings resulting from putting the money to profitable use in the farm business, says McAllister.

"Before you do anything, discuss the retirement plan with your insurance agent, stock broker or bank trust officer," he advises. "There are a number of details and options that should be considered, but don't ignore the idea just because it may seem complicated "

FARMERS ARE CONSUMERS

Farmers and their families are consumers in their own right Like all consumers, they supply strength to the economy through the purchase of household furnishings and appliances, clothes, insurance, medical care and legal services, to mention a few. And they're heavy users of their own products, spending $3 5 billion a year on food