The Self-Employed Retirement Guide

> Being your own boss unlocks the most generous retirement accounts in the tax code. Here is how to save the most and cut your tax bill.

One of the quiet perks of self-employment is retirement saving. As your own employer you can put away far more than a regular employee, and a special deduction can wipe out a fifth of your business income before tax. This guide covers the two main accounts and the QBI deduction, using 2026 figures.

The Solo 401(k): the most you can save

A Solo 401(k) is the most generous plan for a self-employed person with no employees, because you contribute as both employee and employer. As the employee you defer up to the annual limit, 24,500 dollars for 2026. As the employer you add 20 percent of your net self-employment income on top.

Work an example. On 100,000 dollars of net profit, the deductible half of self-employment tax is about 7,065 dollars, so net self-employment income is 92,935. Twenty percent of that is 18,587 dollars for the employer share. Add the full 24,500 employee deferral and you can save 43,087 dollars for the year, all of it capped at the 72,000 dollar overall limit. Because the employee deferral is a flat amount, the Solo 401(k) lets lower earners save a much larger share of their income than any other plan.

The SEP-IRA: simple but smaller

A SEP-IRA is the easy option. There is one contribution, made by you as the employer, worth 20 percent of your net self-employment income for a sole proprietor, with almost no paperwork. On the same 100,000 dollar profit, that is 18,587 dollars.

Notice what is missing. The SEP has no employee salary deferral, so at the same income it usually lets you save less than a Solo 401(k), which adds that 24,500 dollar deferral on top of the identical 20 percent employer share. The SEP wins on simplicity and can make sense if you want the least admin, but if maximum saving is the goal, the Solo 401(k) is almost always the better tool. The Solo 401(k) and SEP-IRA calculators show the gap at your income.

The QBI deduction: 20 percent off your business income

The qualified business income deduction, from Section 199A, lets most pass-through owners deduct up to 20 percent of their business income, on top of the standard deduction. Below an income threshold, 201,750 dollars for a single filer and 403,500 for joint filers in 2026, the rule is simple.

An example. With 100,000 dollars of qualified business income and 150,000 of total taxable income, you are under the threshold, so the deduction is a flat 20 percent, or 20,000 dollars, which drops your taxable income to 130,000. Above the threshold the rules tighten, with a wage limit for regular businesses and a full phase-out for service businesses like consulting, law, and accounting. The QBI Deduction calculator handles both the simple and the phase-in cases.

Do not forget quarterly taxes

Employees have taxes withheld from every paycheck. The self-employed do not, so the IRS expects estimated payments four times a year on both income tax and self-employment tax. Miss them and you can owe penalties even if you pay in full at filing.

The retirement contributions above help here too, since they lower the income your estimated taxes are based on. Size the payments with the Quarterly Estimated Tax and Self-Employment Tax calculators, and set aside the money as it comes in rather than scrambling at each deadline.

> **Key takeaway.** A Solo 401(k) usually lets you save the most, a SEP-IRA is the simplest, and the QBI deduction can cut a fifth of your business income before tax. Use all three.

Assumptions

- Contribution figures use the 2026 limits from the versioned tax data. Net self-employment income is net profit minus the deductible half of self-employment tax.
- The QBI deduction below the income threshold is a simple 20 percent of qualified business income, capped at 20 percent of taxable income minus net capital gains.

Sources

- IRS, retirement plans for self-employed people
- IRS, qualified business income deduction (Section 199A)