

Maximum contribution, minimal work: the Solo 401(k).

What is a Solo 401(k)?

A Solo 401(k), also called an individual 401(k), is a 401(k) plan for small business owners. By allowing you to contribute as both the employer and the employee, this plan enables you (and your spouse if they work for you) to boost your retirement savings with higher contribution limits in many cases.

Who is a Solo 401(k) best suited for?


This plan is best suited for self-employed individuals and partnerships **without** full-time employees (other than a spouse or business partner).

What are the key benefits of a Solo 401(k)?

- You can contribute as both employer and employee, offering **tax-deductible contributions** as the employer and **pretax elective deferral contributions** as the employee, along with **tax-deferred growth potential** on contributions
- It's not as complex as you might think. TD Ameritrade can provide a plan document and will take care of the required distribution filings for you. You will need to file Form **5500-EZ** with the IRS once your plan assets reach \$250,000. Plus, there are **no setup or account maintenance fees**. Commissions, service fees, and exception fees still apply.

What do I need to know about contributions?

- A business owner may make contributions to a Solo 401(k) as both an employee and an employer
- When contributing as an employee, the contribution limit is up to \$22,500 in elective deferrals for tax year 2023 (\$20,500 for 2022). If you are 50 or older, an additional \$7,500 catch-up contribution is allowed for a total of \$30,000 for tax year 2023 (\$27,000 for 2022). Roth elective deferrals will no longer be accepted in plans after December 1, 2022.*
- The employer contribution limit for tax year 2023 is 25% of compensation. Total contributions in 2023 (employee + employer) cannot exceed \$66,000 for those below age 50 or \$73,500 for ages 50 and up. For tax year 2022, contribution limits are \$61,000 for those below age 50 and \$67,500 for ages 50 and up.



-  Larger potential tax-deductible contributions
-  Minimal paperwork
-  No hidden fees

- The contribution deadline is the employer's tax filing deadline, including extensions. The elective deferral contribution must be funded as soon as possible after year-end once you know your income but no later than your tax filing deadline, including extensions. You can simplify the process of calculating contributions with the **Small Business Retirement Contribution Calculator**.
- Contact your accountant or tax advisor to learn more about what makes sense for your business and circumstances

How are rollovers and transfers handled?

Because a Solo 401(k) is a type of 401(k) plan, it follows traditional 401(k) rollover and transfer rules:

- Distributions made due to death, disability, or plan termination (without establishment of a successor 401(k)/profit-sharing plan) may be rolled over to an IRA. If Roth contributions were made to the Solo 401(k), the Roth account portion may be rolled over to a Roth IRA.*
- When moving your Solo 401(k) from one custodian to another (only changing your vendors and not ending your Solo 401(k) plan entirely), the assets should be moved via a transfer and not as a distribution/rollover

What about distributions?

- Distributions from a Solo 401(k) may be subject to tax and a 10% early withdrawal penalty if under age 59½, but exceptions may apply
- Required minimum distributions (RMDs) start at age 73 (unless you turned 72 prior to January 1, 2023; then your RMDs must begin by age 72). Those who turned 70½ prior to January 1, 2020, had to start RMDs at age 70½.
- **TD Ameritrade no longer allows plan loans***

How do I set up a TD Ameritrade Solo 401(k)?

1. Call us to order a complete individual 401(k) kit. To get a jump-start, complete the **Adoption Agreement for Individual 401(k)**, making sure to keep a copy of it and the **Basic Plan Document** for your permanent tax files.
2. Each participant in the plan will also need to complete the **Participant Application and Designation of Beneficiary**. Be sure to select Individual 401(k) on the application. Note: Effective September 1, 2022, no new Roth 401(k) accounts may be opened. Roth deferrals for existing accounts will not be accepted after December 1, 2022.*
3. You may fund the Solo 401(k) upon opening the account or after the Solo 401(k) has been established via check or direct deposit. You can download the deposit form [here](#).
4. By December 31 of each year, update your employee elective deferral amount for the current year.
5. An annual IRS Form 5500-EZ must be filed after the plan assets exceed \$250,000 at the end of the year or if you ever terminate the plan.
6. If you have your own individual 401(k) plan document and do not need 1099-R distribution reporting, you may set up a tax-exempt trust to invest at TD Ameritrade. Please open a Business/Trust account at tdameritrade.com, and do not complete the forms above.

Where can I learn more?

Please refer to IRS Publication **560** or the IRS page on **individual 401(k)s** for additional details.

Special information for business owners with employees

- The only participants allowed in a Solo 401(k) are the business owner(s) and any spouse who works for this business
- Businesses that have common-law employees may still be able to offer a Solo 401(k) to the owners if those employees do not meet the plan eligibility requirements as specified in the plan documents**
- Employees must be included in the plan (maximum eligibility) if they:
 - Have reached age 21 and
 - Have worked two years for the business for at least 1,000 hours each year
- If any of your employees do become eligible for the Solo 401(k), you should consult a tax advisor as you will need to allow the employees to contribute, make contributions for them, hire an administrator for annual compliance testing, and/or file an expanded version of Form **5500-EZ**. See IRS Publication **4222** for more on multiparticipant 401(k) plans. You might also want to consider whether terminating your Solo 401(k) and establishing another type of small business retirement plan (like a SIMPLE IRA) makes sense for you. Again, consult with a tax advisor in this regard.
- Tip: If you or other owners or spouses in this plan **own** multiple businesses, you may have to cover all of your employees under this plan and should consider opening a different plan type. Consult a tax advisor for more details.

Remember: The business owner must also meet all requirements to qualify for a contribution.

Give us a call at **800-472-0586** to apply.



* **Important Plan Provision Changes: Roth 401(k) deferral contributions will no longer be accepted in the TD Ameritrade Solo 401(k) plan as of December 1, 2022. Plan loan provisions are no longer offered in the TD Ameritrade Individual 401(k) plan.**

Review and complete all plan documents and applications carefully.

TD Ameritrade does not provide tax advice. You may wish to consult with a professional regarding your specific circumstances.

** The following may be excluded from the plan: union employees whose retirement benefits were collectively bargained for in good faith by the employees' union and the employer and nonresident alien employees who do not have U.S. income from the employer.

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