

# How to:

## Adding/Including Spouse to Owner-Only Solo 401(k) Plan



# 100

% No additional fees apply to include spouse now or later.

<https://www.mysolo401k.net/>

1-800-489-7571



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# Adding/Including Spouse to Owner-Only Solo 401(k) Plan

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# Highlights

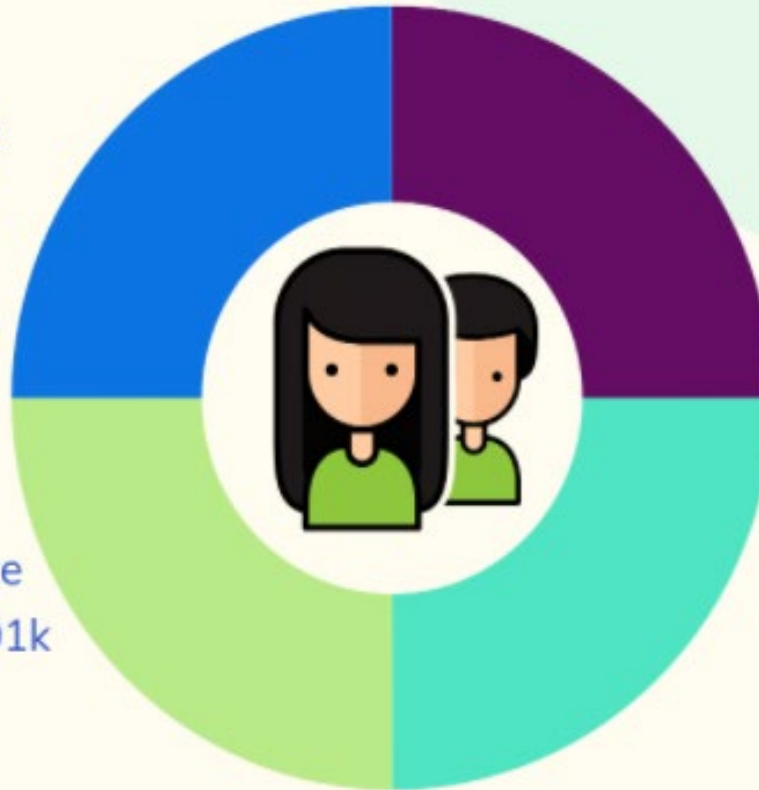
## 1. Highlights

### •• Highlight 1

Both can maximize contributions (e.g., each can contribute \$58,000 for 2021)

### •• Highlight 2

Both can participate in the same solo 401k plan.



### •• Highlight 3

Both can process solo 401k participant loans.

### •• Highlight 4

Both can invest in alternative investments (e.g., real estate, crypto, notes, metals, equities, etc.)



# Highlight 1: Maximize Contributions

## ► Each Participating Spouse Can Contribute

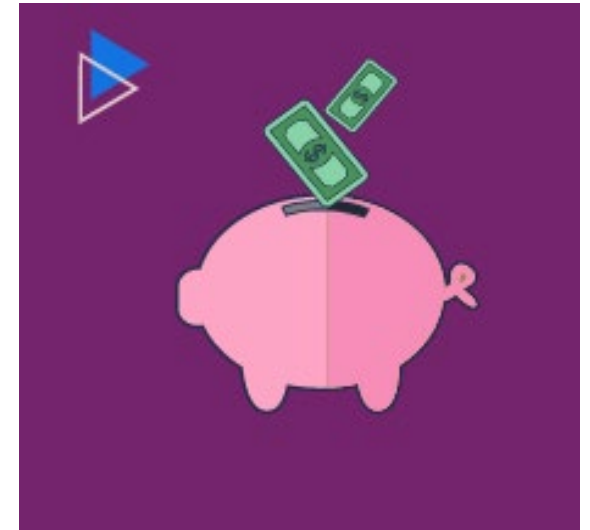
- **For 2020**, depending on your salary and age, you could contribute \$57,000 per year or \$63,500 for those 50 or older in 2020.
- **For 2021**, For 2021, the contribution limit increased to \$58,000 or \$64,500 if age 50 or over.



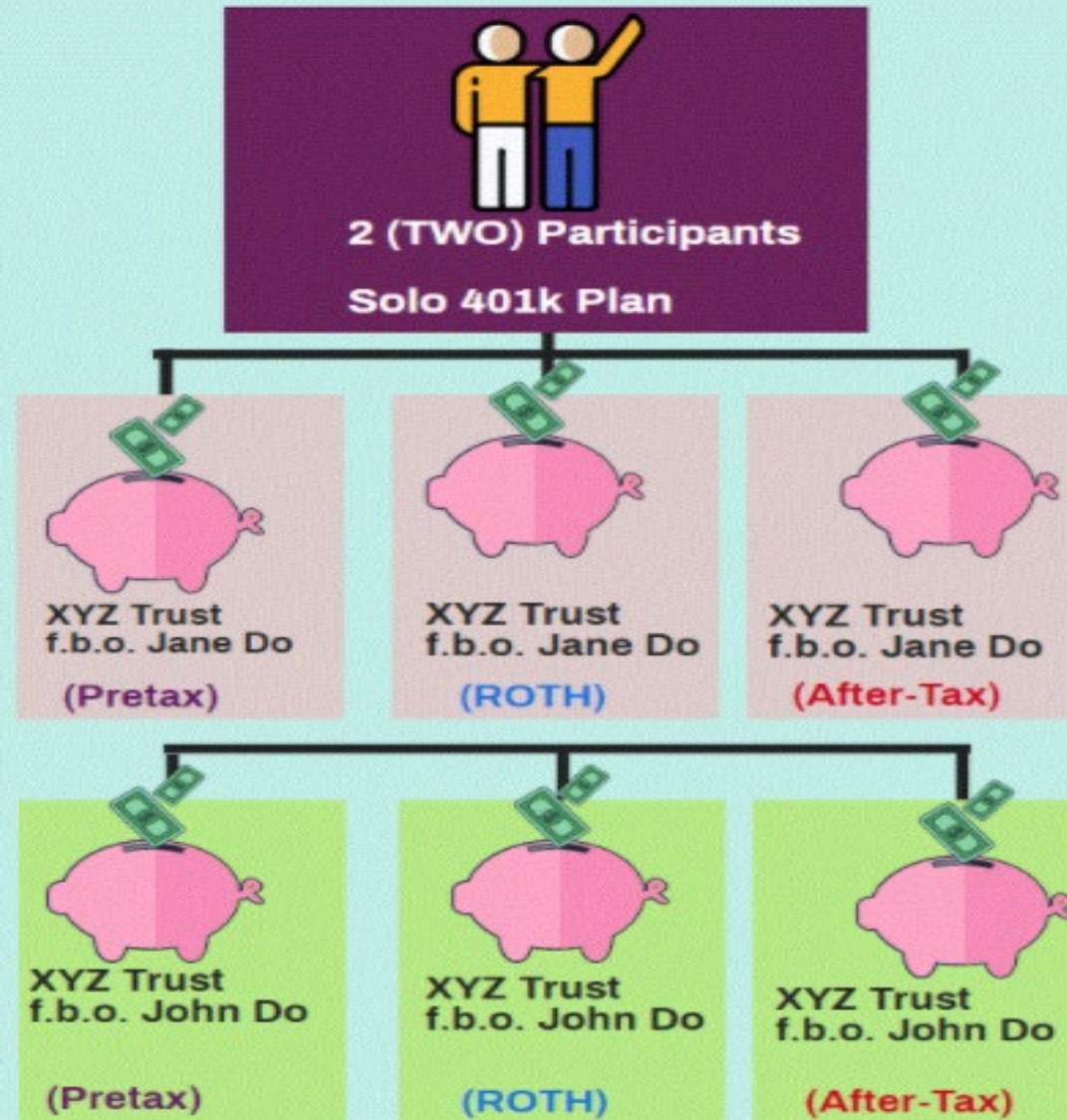
## Highlight 2: Same Solo 401k Plan

### ► One Plan

- Both spouses can participate in the same solo 401k plan, but separate participant/holding accounts required.
- See next slide for illustration.



# Both Spouses Participate





# Highlight 3: Solo 401k Participant Loans

## ► **One Plan**

- Each solo 401k participant can borrow from his or her respective solo 401k balance. For example, if both spouses are participating in the solo 401k plan and have account balances, each can borrow up to the statutory limits described below.
- The maximum Solo 401k loan amount is either 50% of account balance or maximum amount of \$50K.
- Example 1: Solo 401k balance is \$50K;  $50\% \text{ of } \$50\text{K} = \$25\text{K}$  (the Solo 401k maximum loan amount)
- – Example 2: Solo 401k balance is \$150K;  $50\% \text{ of } \$150\text{K} = \$75\text{K}$ ; however, the maximum permitted Solo 401k loan amount is \$50K

## Highlight 4: Pool Funds in the Same Investments



### ► One Plan/Same Investment

- Since the investment is made by the solo 401k plan and both spouses participate in the same plan, they can pool their funds in the same alternative investment such as a real estate, for example.



# Eligibility

## 2. Eligibility



### Material Services/Active

Both must work for the business at least on a par-time basis.



### No Full-Time W-2 Employees

The business cannot employ other full-time, non-owner W-2 employees.



### Controlled Group

The spouse with another business with W-2 employees can't participant in the solo 401k plan.

# The Basics

## 3. The Basics



Same Solo 401k Plan employer identification number (EIN).



Same Solo 401k plan but separate participant/holding accounts.



Both spouse's have signing authority.



Both complete beneficiary election forms.

# Adding Spouse Later

## ► May Need to Update the Solo 401k Plan

- A Plan amendment is processed to add the spouse to the existing plan if not already listed on the plan.
- Once added, and if the spouse has earned income from the business, the spouse can also make annual contributions and process rollovers.
- Separate participant/holding accounts will be needed to hold the added spouse's funds.





# Learn More!



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The one-participant 401(k) plan isn't a new type of 401(k) plan. It's a traditional 401(k) plan covering a business owner with no employees, or that person and his or her spouse. These plans have the same rules and requirements as any other 401(k) plan.

– The IRS: <https://www.irs.gov/retirement-plans/one-participant-401k-plans>

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## ► Contact us:

- Email: [business@mysolo401k.net](mailto:business@mysolo401k.net)
- Call: (800) 489-7571