

# **Solo 401k Webinar:**

## **How to Invest in Cryptocurrency (Bitcoin)**

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

**1-800-489-7571**



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# How to Invest Solo 401k funds in Cryptocurrency (Bitcoin)

- ❖ What is Cryptocurrency
- ❖ Taxation Considerations
- ❖ How to Invest/Buy with Solo 401k Funds
  - ❖ Establishing Solo 401k
  - ❖ Purchase
  - ❖ Storage
- ❖ Practical Tips
- ❖ ***Get more info***



# What is Cryptocurrency?

- Per IRS Revenue Ruling 2019-24:
  - Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value.
  - Cryptocurrency is a type of virtual currency that uses cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.
- Most popular cryptocurrencies:
  - ❖ Bitcoin
  - ❖ Ethereum
  - ❖ Litecoin



# IRS View on Taxation of Cryptocurrency

- The IRS has issued guidance that cryptocurrency will be treated as property for federal tax purposes (see e.g. IRS Notice 2014-21).
- ***Outside of a retirement account:*** the income or gains from the sale of cryptocurrency will be subject to capital gains tax rates (short-term or long-term as applicable).
- ***Inside a retirement account:*** the gains/income derived from a cryptocurrency investment are tax-deferred (or potentially tax-free in the case of a Roth Solo 401k account).
  - ❖ **Possible exception:** If you invest your Solo 401k funds in mining cryptocurrency, the income generated may be subject to unrelated business income tax (UBIT) if the mining is considered an active trade or business.

# Steps to Invest Solo 401k Funds in Cryptocurrency

## ➤ **STEP 1 - Open a Solo 401k**

- Confirm that you are eligible (self-employed w/ no full-time W2 employees)
- IRS-approved plan that allows for cryptocurrency investments & provider with experience in helping others invest

## ➤ **STEP 2 - Fund the Solo 401k**

- Open a bank account in the name & EIN of the Solo 401k
- Rollover Former employer plan or non-Roth IRA funds and/or make 401k contributions

## ➤ **STEP 3 - Open & Fund Account at Cryptocurrency Exchange**

- Open a Cryptocurrency Exchange Account in the name & EIN of the Solo 401k
- Transfer funds from the Solo 401k bank account

## ➤ **STEP 4 - Store Cryptocurrency**

- Separate and segregated wallet exclusively for Solo 401k investments
- Store in safety deposit box associated with Solo 401k bank account

# Practical Tips: Investing Solo 401k funds in cryptocurrency

## ➤ **Opening an Account at a Cryptocurrency Exchange**

- Name and EIN of the Solo 401k (consider tax reporting by the exchange)
- Separate accounts for multiple participants (e.g. spouses) or types of funds (pre-tax or Roth)
- Consider opening the account in the name and EIN of a Solo 401k LLC

## ➤ **Funding an Account at Cryptocurrency Exchange**

- Confirm that the account can be funded with Fiat money
- Wire/ACH funds from a bank account in the name of the Solo 401k (or Solo 401k LLC if applicable)
  - ❖ Some exchanges may require that the account is funded via ACH and generally can't ACH funds out of a Solo 401k brokerage. As a result, it is generally easier to fund the exchange account via Solo 401k bank account.
- Separate transfers for multiple participants (e.g. spouses) or types of funds (pre-tax or Roth)

## ➤ **Private Transactions**

- Confirm that the seller or buyer is not a disqualified person to ensure that you don't commit a prohibited transaction
- Do not combine or "tie" the transaction with non-retirement transactions

# Sample Cryptocurrency Account Setup – Gemini

❖ **Getting Started:** Submit onboarding questionnaire & then Gemini will contact you with an onboarding package

- <https://exchange.gemini.com/register/institution>
- Enter the name of the Solo 401k Plan
- Select “Profit Sharing/Pension/Retirement Plan (Employer-Sponsored; Not Individual IRA)”

[Join an existing institutional account?](#)

## Company Information

LEGAL BUSINESS NAME

XYZ Trust

COMPANY TYPE

Profit Sharing/Pension/Retirement Plan (Employer-Sponsored; not



## Company Location

COUNTRY OF BUSINESS

United States



STATE

TX



# Sample Cryptocurrency Account Setup – Gemini (continued)

## ❖ **Additional Documentation Needed:**

- ✓ ID for all beneficial owners and authorized signers on the account including DOB & SSN
  - Enter your information as the trustee/beneficial owner of the Solo 401k
- ✓ Copy of Trust Agreement or Certification of Trust
  - Included in the Solo 401k Establishment Documents
- ✓ Signed w9 form
  - Provide 401k EIN which is included in the Solo 401k Establishment Documents
- ✓ Proof of source of wealth
  - Provide Solo 401k bank account statement



# Sample Cryptocurrency Account Setup – Gemini (continued)

- **Sub-accounts supported?** Yes
- **Funding the account with Fiat Dollar?**
  - Yes – the account can be funded with US dollars
  - The name on the funding account must match either the name of the Trust or one of the beneficial owners provided that they have been expressly authorized to transact on behalf of the account
- **Processing Time?** Approximately 2 weeks



# Learn More!

- ▶ **Contact us:**

- ▶ **Email: [business@mysolo401k.net](mailto:business@mysolo401k.net)**

- ▶ **Call: (800) 489-7571**