

1-800-489-7571  
<https://www.mysolo401k.net/>



# The Solo 401(k) Establishment Process

The Steps to Open a Solo 401k Plan



# Disclosure

- **This presentation is being provided for educational purposes only and should not be construed as tax, legal or investment advice nor as a solicitation.**
- **When making an investment decision, please consult with your tax attorney and financial professional.**



**My Community**

Connect. Learn. Grow.



**SUBSCRIBE**



***\*\*Subscribe for Access to  
Upcoming Webinars\*\****

## **How Much Income to Maximize Contributions**

- S-corp/C-corp
- Sole Proprietor/Single Member LLC
- Partnerships/Multi-Member LLC

## **Solo 401k Deep Dive Guides**

- Solo 401k Loans
- Solo 401k Establishment Process

## **Vanguard Exits Solo 401k Business**

- Options for Existing Vanguard  
Solo 401k Account Holders

# Solo 401k Establishment Process



- ❖ **Am I Eligible to Open a Solo 401k?**
- ❖ **What are the Benefits & Features?**
- ❖ **Steps to Open a Solo 401k Plan:**
  - ❖ **Where can I open Accounts?**
  - ❖ **How can I fund my Solo 401k?**
- ❖ **Use Cases: Why open a Solo 401k Plan?**
- ❖ **BONUS: \$1500 Solo 401k Tax Credit**



**My Solo 401k Financial**<sup>™</sup>  
Grow. Control. Direct.

**Join Zoom at [MySolo401k.net/MyCommunity](https://MySolo401k.net/MyCommunity)**

**Free to Join!**

**All are Welcome!**



**MySolo401kFinancial**  
Grow. Control. Direct.





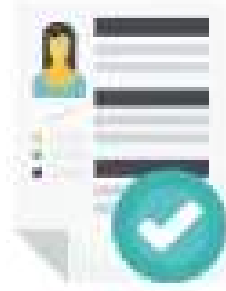
# **Solo 401k Eligibility**

# Who is eligible to set up a Solo 401k?

**A SOLO 401K IS FOR AN OWNER-  
ONLY BUSINESS WITH NO FULL-  
TIME W-2 EMPLOYEES.**



# Qualifying/Eligibility



- **Self-employed individuals and owner-only businesses.**
- **Without any full-time W-2 employees (working 1,000 hours +).**
- **Owners' spouses may also participate if working in the business.**



# Solo 401k Eligibility Checklist

<b>Top Solo 401k Eligibility Considerations</b>	
<b>Do I need a separate entity (e.g. LLC, S-corporation)?</b>	<b>No</b>
<b>Do I need to report earned self-employment income on my taxes?</b>	<b>Yes</b>
<b>Is there a minimum amount of earned self-employment income?</b>	<b>No</b>
<b>Can my spouse or business partner participate as long as they are also reporting earned self-employment income?</b>	<b>Yes</b>
<b>Can I set up a Solo 401k even if I also have a w-2 job (“day job”) as long as I am reporting some earned self-employment income?</b>	<b>Yes</b>
<b>Even if I am participating in my w-2 employer’s 401k plan?</b>	<b>Yes</b>
<b>Do I need an EIN for my self-employed business?</b>	<b>No</b>
<b>Can I set up a Solo 401k if there are non-owner full-time w-2 employees working for another business owned by me or my spouse?</b>	<b>No</b>



**Why Open a**  
**Solo 401k?**

**Benefits & Features**

# Self-Directed Solo 401(k) Checkbook Control

- ✓ • A solo 401k puts you in control.
- ✓ • Place investments by writing a check/wire.
- ✓ • Make high contributions (pretax, roth & voluntary after-tax).
- ✓ • Process solo 401k participant loans.
- ✓ • Same Day Solo 401k Adoption

1-800-489-7571

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



**My Solo 401k Financial<sup>®</sup>**

Grow. Control. Direct.

# Why a Solo 401(k)?



Alternative  
Investments



• Physical Real Estate



• Promissory Notes



• Precious Metals



• Private Placements, Tax  
Liens, Bitcoin, etc.

Checkbook/Wire Control





## Contributions



- Pretax contributions




- Roth contributions (employee & employer)



- Voluntary After-Tax contributions

## Large Contributions





## Participant Loans



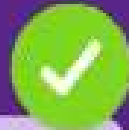
- Borrow 50% of your solo 401k balance not to exceed \$50,000.



- Loan term is 5 years , or up to 30 years for primary residence purchase.

**For Any Purpose**





Consolidate



• Transfer former employer plan funds (TSP, 401k, 403b, DBP, PSP, 457b, Pension, etc.)



• Transfer IRAs: SEP, SIMPLE and Traditional IRAs

### Transfers / Rollovers





No UDFI



- If Real Estate Debt Financing Used, UDFI does not apply.

UDFI Exemption







## Bank/Brokerage Account



- Use a bank or brokerage account to hold the solo 401k funds.

**You Choose the Bank/Brokerage Firm**



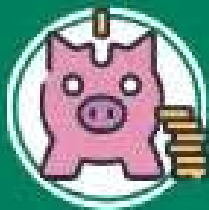


## Conversions



- Process Mega Backdoor conversions as well in-Plan Roth pre-tax conversions (in-plan Roth rollover).

## Tax Free Growth





## \$1,500 Tax Credit



- A Solo 401k plan that includes an automatic participation feature is eligible for a \$1,500 tax credit-dollar for dollar.

## \$1,500 Credit



# My Solo 401k Financial

## Solo 401(k) Plan Support

- For conversions and distributions, will prepare Form 1099-R.
- Will prepare Form 5500-EZ and file it electronically with the government.
- Allows you to choose where to hold the solo 401k funds and will work with your banker.
- Will prepare brokerage forms.
- Will prepare IRA and former employer transfer forms.
- Will prepare solo 401k participant loan documents.
- Will calculate solo 401k contributions.
- Will consult on the solo 401k rules and regulations.
- Charges a flat annual fee which covers all participants in the plan.
- \$1,500 tax credit feature.





# **Solo 401k Setup Process**

# The Solo 401k Opening Process

A self-directed solo 401k with checkbook control allows for alternative investments, traditional investments, participant loans, pretax, Roth and voluntary after-tax contributions.



**Number of Participants**

**Types of Funds**

**Account  
Opening  
Considerations**

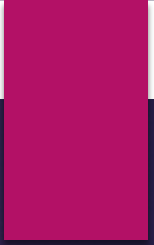
**Bank vs Brokerage (or  
Both)**

**Investment Types**

# Transfers/Rollovers







**Use Cases: Why  
open a Solo 401k  
Plan?**

# The Frugal Investor

- Including the tax credit, the net cost to set up and maintain a Solo 401k with My Solo 401k Financial is \$0 over the first seven (7) years.
  - ✓ Fees paid with non-retirement funds to preserve retirement funds

	My Solo 401k Financial
<b>Total Net Cost for over seven (7) years</b>	<b>Net Cost: \$0 including \$1500 tax credit</b>

# **The Roth Maximizer**

- With a Solo 401k from My Solo 401k Financial, a Solo 401k owner can make both Employer contributions as Roth Solo 401k contributions as well as Voluntary After-Tax Solo 401k contributions (Mega Backdoor Roth Solo 401k):
  - ✓ Contribute up to \$69,000 (or \$76,500 if 50 or older) as Roth/Mega Backdoor Roth Solo 401k contributions
  - ✓ In-Plan Roth Rollovers (Pre-tax to Roth Conversions)

# **The Large Account Holder**

- My Solo 401k Financial handles Form 5500-EZ preparation for Solo 401k plans that need it as an optional free service (no additional charge):
  - ✓ File Form 5500-EZ filed under the electronic filing system (EFAST)

# The Alternative Investor

- My Solo 401k Financial helps clients open accounts at the bank or brokerage of choice:
  - ✓ “Free” Brokerage Accounts at Fidelity, Schwab, etc. with free online trading to invest in stocks, bonds, mutual funds, etc.
  - ✓ Bank Accounts
  - ✓ Alternative Investments such as
    - ❖ Real Estate
    - ❖ Private Placement
    - ❖ Private Stock
    - ❖ Crypto
    - ❖ Precious Metals
    - ❖ Notes

# **The “Rainy Day” Investor**

- With a Solo 401k from My Solo 401k Financial, a Solo 401k owner may take Solo 401k participant loan(s)
  - ✓ Borrow up to 50% of the balance not to exceed \$50,000 (per participant)
  - ✓ Loan Document Preparation

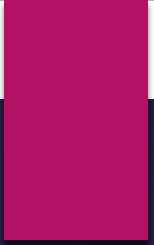


**\$1500 Solo 401k  
Tax Credit**

# **Solo 401k Tax Credit**

- Under the Secure Act, tax credits are available to small businesses that offer a 401k plan.
- A solo 401k plan that includes an automatic participation feature is eligible for a \$1500 tax credit.
  - ✓ \$500 per year for three (3) consecutive years
  - ✓ New or Existing Plans
  - ✓ Not based on actual cost to set up and maintain the Solo 401k
- While a solo 401k plan is not eligible for the “startup costs” tax credits since they are only for businesses with non-owner employees, an owner-only business is eligible to claim the automatic participation credit.





# New Solo 401k Tax Credit

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

**Sign up** for a new plan by 12/31/2024 to claim tax credits starting in 2024.

**2024**

<b>Sign up by</b> <b>12/31/2024</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	\$500	\$500	\$500	N/A

**2025**

<b>Sign up by</b> <b>12/31/2025</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	N/A	\$500	\$500	\$500

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



Convert an existing plan by 12/31/2024 to claim tax credits starting in 2024.

### 2024

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Convert Existing Plan by 12/31/2024	\$500	\$500	\$500	N/A

### 2025

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Convert Existing Plan by 12/31/2025	N/A	\$500	\$500	\$500

# Existing Solo 401k Tax Credit

## The Impact of Tax Credits on The Cost of a New Solo 401k Plan

My Solo 401k Plan Cost	<u>2024</u>	<u>2025</u>	<u>2026</u>
	\$650	\$125	\$125

---

Dollar-For-Dollar Tax Credit	<u>2024</u>	<u>2025</u>	<u>2026</u>
	-\$500	-\$500	-\$500

---

Yearly Cost After Tax Credit	<u>2024</u>	<u>2025</u>	<u>2026</u>
	\$150	-\$375**	-\$375**

**\*\*For the second and third years, the tax credit is GREATER than the cost to maintain the Solo 401k**

# Solo 401k Cost with Tax Credit

Tax Credits are much better because a tax credit is a “dollar-for-dollar” reduction in the tax liability.

**\$500 Tax Deduction Vs. \$500 Tax Credit**

Your AGI      \$45,000                      \$45,000

Tax Deduction      -\$500

Taxable Income      \$44,500                      \$45,000

Example Tax Rate      22%                      22%

Calculated Tax      \$9,790                      \$9,900

Tax Credit                                      -\$500

Your Tax Bill      \$9,790                      \$9,400

# Tax Credit vs. Tax Deduction

# **Solo 401k Tax Credit: Eligibility**

- **What are the eligibility requirements to claim the \$500 credit?**
  - ✓ A self-employed person must have a Solo 401k plan like a plan from My Solo 401k Financial with Auto-Contribution feature.

# **Solo 401k Tax Credit: FAQs**

- **What is an Auto-Contribution feature?**
  - ✓ A Solo 401k plan with an auto-contribution feature has a default 3% contribution percentage.
  - ❖ *However, you can opt out of the default 3% contribution amount and then decide to make contributions in whichever amount you prefer including simply making no contributions.*
    - ✓ In other words, you are not required to make annual solo 401k contributions to qualify for the tax credit.

# **Solo 401k Tax Credit: FAQs**

- **I have an existing Solo 401k plan. Can I add an auto-contribution feature to my existing Solo 401k plan and then claim the credit?**
  - ✓ **An Auto-Contribution may be added to an existing plan and then the credit may be claimed.**

# **Solo 401k Tax Credit: FAQs**

- **How do I claim the credit?**
  - ✓ The credit is claimed by filing Form 8881.



# **Solo 401k Tax Credit: Examples**

- Lindsey is self-employed and has a solo 401k plan.
  - ✓ If she amends her plan to add an auto-contribution feature before 12/31/2024 she may claim a \$500 tax credit for 2024 and then additional \$500 tax credits for 2025 and 2026 as long as she continues to maintain the solo 401k plan with the auto-contribution feature.
- Brad is solo attorney with no employees working for him.
  - ✓ If he signs up for our Solo 401k by 12/31/2024, he will be able to claim a \$500 tax credit for 2024 and then additional \$500 tax credits for 2025 and 2026 as long as he continues to maintain the solo 401k plan with the auto-contribution feature.

**Join Zoom at [MySolo401k.net/MyCommunity](https://MySolo401k.net/MyCommunity)**

**Free to Join!**

**All are Welcome!**



**MySolo401kFinancial**  
Grow. Control. Direct.

