2024 Solo 401k Deadline to Open

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- **When making an investment decision, please consult with your tax attorney and financial professional.**

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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

Top Solo 401k Eligibility Considerations	
Do I need a separate entity (e.g. LLC, S-corporation)?	No
Do I need to report earned self-employment income on my taxes?	Yes
Is there a minimum amount of earned self-employment income?	No
Can my spouse or business partner participate as long as they are also reporting earned self-employment income?	Yes
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?	Yes
Even if I am participating in my w-2 employer’s 401k plan?	Yes
Do I need an EIN for my self-employed business?	No
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?	No

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
Total Net Cost for over seven (7) years	Net Cost: $0 including $1500 tax credit

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 traditing 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

S-corporations/LLC taxed as S-corp: Solo 401k Setup & Contribution Deadline

Setup Deadline	Contribution Type	Contribution Deadline
December 31, 2024	**<u>All Types:</u>** • **Employee (Pre-tax & Roth)** • **Employer (Pre-tax & Roth)** • **Voluntary After-tax (Mega Backdoor Roth)**	**March 17, 2025 or September 15, 2025 if timely extension filed**
March 17, 2025	• **Employer (Pre-tax & Roth)** • **Voluntary After-tax (Mega Backdoor Roth)**	**March 17, 2025**
September 15, 2025, if timely extension filed	• **Employer (Pre-tax & Roth)** • **Voluntary After-tax (Mega Backdoor Roth)**	**September 15, 2025, if timely extension filed**

Only 3 (Three) Steps by December 31, 2024

https://www.mysolo401k.net/

STEP 1

You complete On-Line Application

STEP 2

We Draft the Solo 401k Plan Trust Documents the Same Day

STEP 3

You Download, Sign and Upload the Signed Solo Trust Documents

The Completion of the Above 3 Steps by December 31, 2024 Results in the Following:

Just Sign by 12/31, 2024

Fund Account in 2025 for 2024

Employee & Employer Contributions in 2025 for 2024

Pre-Tax, Roth & Voluntary After-Tax in 2025 for 2024

Open Holding Accounts in 2025 for contributios 2024

Contribute $69,000 or $76,500 for 2024 in 2025

Further Breakdown of the Above 3 (three) Solo 401k Setup Steps:

STEP 1

TAKES MINUTES

Online Application

- We collect information for drafting the solo 401k plan trust establishment documents and to obtain the EIN for the solo 401k trust.
- The EIN can be obtained in 2024 or in 2025 when the bank or brokerage account is opened.

3 steps

STEP 2

SAME DAY

We Draft the Plan Documents

- A number of documents make up the Solo 401k Plan including the IRS Determination Letter, Adoption Agreement and Trust Agreement-which appoints you as the Trustee allowing you to make all investment choices.
- The Solo 401k Plan identification number (EIN) is also obtained from the IRS in 2024 or in 2025 .

STEP 3

SAME DAY

Sign the Establishment Documents

- Download the solo 401k setup documents and sign them.
- The account is now effective for 2024 and you can open the holding accounts in 2025 and make employee and employer contributions in 2025.

Sign the Adoption Agreement

- You just need to sign the solo 401k adoption documents by December 31, 2024 to wait to open the solo 401k bank account in 2025.

- Both the 2024 salary deferral including voluntary after-tax and employer contributions can be made in 2025 up until the due date of the self-employed business tax return extension.

Congratulations!
Your Solo 401(k) is Now Effective for 2024!
Take Your Time
YOUR SOLO 401K PLAN IS NOW EFFECTIVE FOR 2024!

Do the Final Steps (4 through 6) in 2025 or Now In 2024

STEP 4

IN 2024 OR 2025

Return the Signed Documents

- Return the signed solo 401(k) documents (signature pages) in 2024 or 2025 .
- The documents can be signed electronically.

STEP 5

IN 2024 OR 2025

Open the Bank or Brokerage Account

- The bank or brokerage account(s) can be opened in 2024 or 2025, and we prepare account opening forms.
- They both come with checkbook & wire control for processing solo 401(k) participant loan and investing in real estate as well as other types of alternative investments and equities.

STEP 6

IN 2024 OR 2025

Fund the Solo 401(k)Plan

- The 2024 solo 401(k) annual contributions (both the employee and employer--see IRS Pub. 560) can be made in 2025 by your business tax return plus extension.
- The account can also be funded by transfers from other qualified plans, SEP IRAs, SIMPLE IRAs, and Traditional IRAs.

Do I have to obtain an employer identification number (EIN) by December 31, 2024? NO!

- No, and we can obtain it for you now or in 2025 when you are ready to open the solo bank account(s).
- All you need to do is sign the 401(k) establishment documents before the end of 2024.
- This will preserve the right for you to make contributions for 2024 in 2025 on or before your tax return deadline including any timely-filed extension.
- We can help you open the bank/brokerage account next year in 2025. For example, if you want to open a brokerage account such as at Fidelity or Schwab, we will prepare all the paperwork that is needed to open a brokerage account.

Do I have to open the solo 401k bank account(s) by December 31, 2024? NO!

- No, and we can guide you in the bank account process now or in 2025.
- All you need to do is sign the 401(k) establishment documents before the end of 2024.
- This will preserve the right for you to make contributions for 2024 in 2025 on or before your tax return deadline including any timely-filed extension.
- We can help you to open the bank/brokerage account next year in 2025. For example, if you want to open a brokerage account such as at Fidelity or Schwab, we will prepare all the paperwork that is needed to open a brokerage account.

Do I have to make both my employee & employer contributions by December 31, 2024? No!

- No, and all you need to do is sign the 401(k) establishment documents before the end of 2024.
- This will preserve the right for you to make both the *employee* & *employer* contributions for 2024 in 2025 on or before your tax return deadline including any timely-filed extension. See the next IRS Pub 560 slide to confirm.
- We can help you can open the bank/brokerage account next year in 2025. For example, if you want to open a brokerage account such as at Fidelity or Schwab, we will prepare all the paperwork that is needed to open a brokerage account.

For more information, see chart listed on page 3 of IRS Publication 560.

Type of Plan	Last Date for Contribution	Maximum Contribution	Maximum Deduction	When To Set Up Plan
SEP	Due date of employer's return (including extensions).	Smaller of $61,000 or 25%[1] of participant's compensation.[2]	25%[1] of all participants' compensation.[2]	Any time up to the due date of employer's return (including extensions).
SIMPLE IRA and SIMPLE 401(k)	**Salary reduction contributions:** 30 days after the end of the month for which the contributions are to be made.[4] **Matching or nonelective contributions:** Due date of employer's return (including extensions).	**Employee contribution:** Salary reduction contribution up to $14,000; $17,000 if age 50 or over. **Employer contribution:** *Either* dollar-for-dollar matching contributions, up to 3% of employee's compensation,[3] *or* fixed nonelective contributions of 2% of compensation.[2]	Same as maximum contribution.	Any time between January 1 and October 1 of the calendar year. For a new employer coming into existence after October 1, as soon as administratively feasible.
Qualified Plan: Defined Contribution Plan	**Elective deferral:** Due date of employer's return (including extensions).[4] **Employer contribution:** Money Purchase Pension Plan or Profit-Sharing: Due date of employer's return (including extensions).	**Employee contribution:** Elective deferral up to $20,500; $27,000 if age 50 or over. **Employer contribution:** Money Purchase Pension Plan: Smaller of $61,000 or 100%[1] of participant's compensation.[2] Profit-Sharing: Smaller of $61,000 or 100%[1] of participant's compensation.[2]	25%[1] of all participants' compensation,[2] plus amount of elective deferrals made.	By the end of the tax year.
Qualified Plan: Defined Benefit Plan	Contributions must generally be paid in quarterly installments, due 15 days after the end of each quarter. See *Minimum Funding Requirement* in chapter 4.	Amount needed to provide an annual benefit no larger than the smaller of $245,000 or 100% of the participant's average compensation for the highest 3 consecutive calendar years.	Based on actuarial assumptions and computations.	By the end of the tax year.

[1] Net earnings from self-employment must take the contribution into account. See *Deduction Limit for Self-Employed Individuals* in chapters 2 and 4.
[2] Compensation is generally limited to $305,000 in 2022.
[3] Under a SIMPLE 401(k) plan, compensation is generally limited to $305,000 in 2022.
[4] Certain plans subject to Department of Labor (DOL) rules may have an earlier due date for salary reduction contributions and elective deferrals, such as 401(k) plans. See the "elective deferral" definition in *Definitions You Need To Know*, later. Solo/self-employed 401(k) plans are non-ERISA plans and don't fall under DOL rules.

If I adopt the plan in December 2024, how can I make contributions based on income that I earned in January 2024?

- As is the industry best practice, the solo 401(k) plan is effective as of January 1, 2024 even if you adopt the plan in December 2024.
- As such, you are able to make contributions for any self-employment income earned and reported for 2024.

My CPA/tax advisor is informing me that the employee contribution must be made by December 31, 2024. Are you sure that I can make this contribution in 2025?

- This is a common point of confusion as employee contributions for a full-time employer plan such as one that you might have through a day job must be made by the end of the year.
- The rules are different for solo 401(k) plans and this is clear per IRS Publication 560 (see slide above) which clearly states that both employee and employer contributions can be made any time up until the tax return deadline including any timely filed extension.
- For example, please see the table on page 3 of IRS Publication 560.

https://www.irs.gov/pub/irs-pdf/p560.pdf

YEAR 2024 SOLO 401K CONTRIBUTION DEADLINE

Self-Employed Business

- The solo 401k contribution deadlines depend on your self-employed business type and business tax return due date.

Business Tax Return Deadline

- Contributions to a solo 401k plan must be made by your business tax return due date plus timely filed extensions.

2024 Solo 401(k) Annual Contribution Deadlines Both Employee & Employer/Profit Sharing

Entity Type	Contribution Deadline	Contribute by Bus. Ext. Deadline
Sole Proprietorship	April 15, 2025	October 15, 2025
Partnership	March 17, 2025	September 15, 2025
S-Corportation	March 17, 2025	September 15, 2025
C-Corportation	April 15, 2025	October 15, 2025
LLC taxed as S-corp	March 17, 2025	September 15, 2025
LLC taxed as Partnership	March 17, 2025	September 15, 2025
LLC taxed as Sole Proprietorship	April 15, 2025	October 15, 2025

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