

# Invest for Success: Solo 401(k)s



Advanta | IRA

**Take control.  
Build wealth.  
Retire well.**

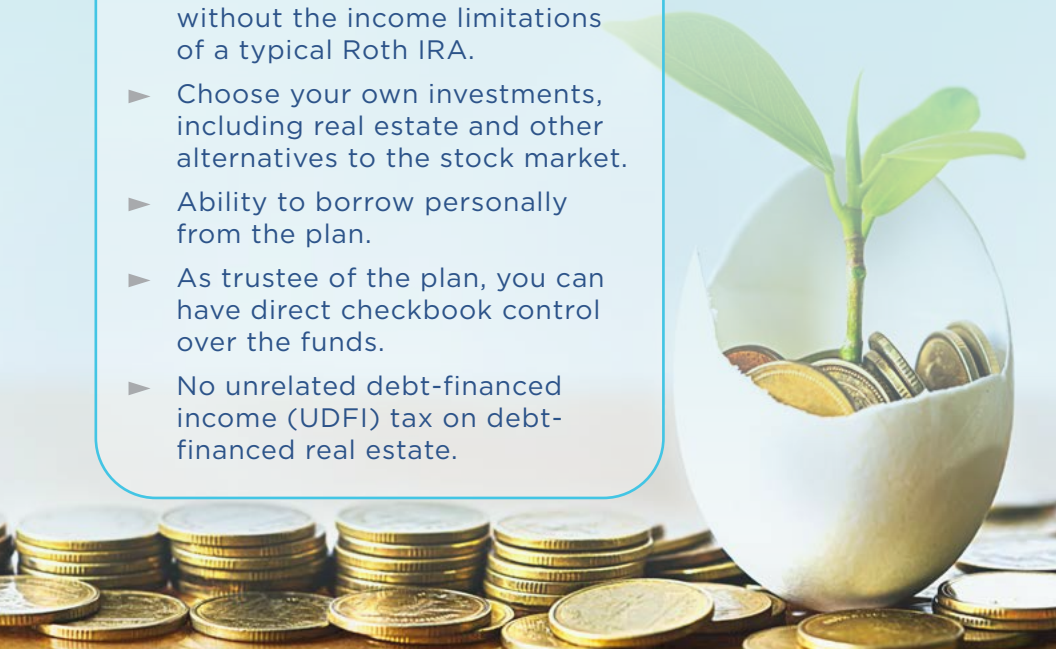
# What Is a Solo 401(k)?

**A solo 401(k) is a powerful investment account** that gives you complete control over your retirement funds and investing decisions to maximize your investment potential. It is designed specifically for businesses that employ only the owner, their spouse, and partners.

This plan is also known as an individual 401(k), uni-k, and solo-k. The solo 401(k) is like a traditional 401(k) and is governed by the same rules and restrictions. This plan is by far the most popular plan for self-employed individuals because it has significantly lower administrative costs with less hassle than a typical 401(k) plan. It can be used by both incorporated and unincorporated businesses, sole proprietorships, partnerships, and corporations.

## Benefits of a Solo 401(k)

- ▶ Higher contribution limits than with regular IRAs.
- ▶ Ability to make Roth contributions to the plan without the income limitations of a typical Roth IRA.
- ▶ Choose your own investments, including real estate and other alternatives to the stock market.
- ▶ Ability to borrow personally from the plan.
- ▶ As trustee of the plan, you can have direct checkbook control over the funds.
- ▶ No unrelated debt-financed income (UDFI) tax on debt-financed real estate.



# What Makes the Solo 401(k) so Powerful?

Because you wear both hats, you can make contributions as an employer and as an employee. You can make much larger annual contributions in a solo 401(k) than you can in traditional or Roth IRAs.

## As an employee

- ▶ You can contribute up to 100 percent of your earned income up to the annual contribution limit of \$23,500 (or \$31,000 if you're 50 or older).\*

## As an employer

- ▶ Your matching contribution can be up to 25 percent of your compensation. The combined contributions (employer + employee) cannot exceed \$69,000 per person (or \$76,500 if you're 50 or older).\*

## There is a Roth 401(k) option

- ▶ Provides tax-free income on earnings.
- ▶ Contributions are not subject to the income limitations of a Roth IRA.
- ▶ Roth and non-Roth contributions can be commingled—no other account type allows this.
- ▶ You can immediately convert the employer contributions to Roth designation within your plan.

## And a mega Roth 401(k) option

- ▶ If the sum of your employer and employee contributions is less than the annual limit—\$69,000 (\$76,500 if you are 50 or older)—the mega Roth component allows you to make up the difference by maximizing your employee contribution.\*
- ▶ Mega Roth contributions are made after tax like the Roth option, but grow tax deferred. You must immediately convert them to the Roth component to capture tax-free growth.

*\*These amounts are based on 2024 contribution limits and are typically adjusted by the IRS each year.*

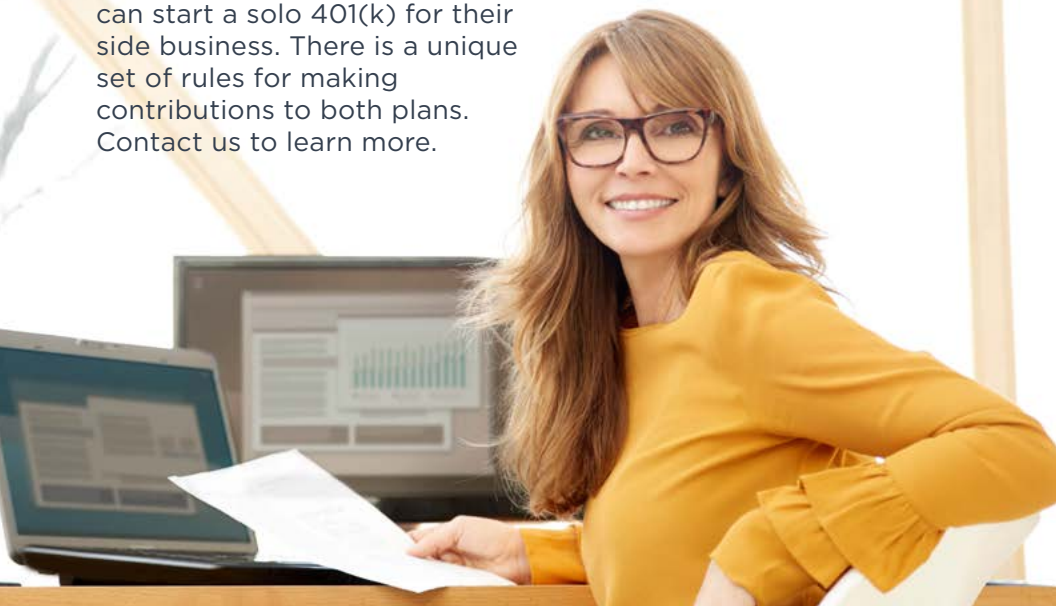
## Can I Have a Solo 401(k)?

If you are a sole proprietor and/or a business owner, the short answer is “yes.” Even if you have a side business apart from your regular job—you can have a solo-k. Keep in mind, that you must make taxable, earned income to participate in a 401(k). Consult with your tax professional to determine your status and eligibility.

**A sole proprietor** is a person who owns a business but has not set up a formal LLC or corporation. The business is not a legal entity, and the person who runs the business is solely responsible for its gains and losses. The contribution limit calculations are based on their net income on their Schedule C or gross income minus expenses.

**Independent business owners** who are taxed as an S-Corporation or partnership can qualify for a solo 401(k) based on their earned income from that entity. Earned income for these entities is typically reported on a Schedule C, W-2, or on a K-1. If you have part-time employees, you may still be eligible for a solo 401(k). If you have employees and already have a 401(k) plan for your small business, you can use an Advanta IRA recordkeeping account to invest in alternative assets.

**Side business owners** who have a 401(k) through an employer can start a solo 401(k) for their side business. There is a unique set of rules for making contributions to both plans. Contact us to learn more.



# The Power of a Roth 401(k) vs. a Solo 401(k)

You may have heard the phrase that tax-deferred is nice, but tax-free is better. That's how the Roth option works in a solo 401(k) compared to a traditional solo 401(k).

## **Traditional Solo 401(k) = Tax Deferred**

With a traditional solo 401(k) your employee contributions are tax-deductible—meaning you don't pay taxes until you take the money out in retirement. As your income grows, you lose the ability to contribute to a typical Roth IRA. Things work a bit differently with a Roth solo 401(k).

## **Roth Solo 401(k) = Tax Free**

With a Roth solo 401(k), you can designate your employee contribution as Roth and have those particular funds grow tax-free! Roth 401(k) contributions are not subject to the income limitations that a Roth IRA is restricted to. You will never earn too much to contribute to a Roth solo 401(k).

Please note that with a Roth 401(k) option, the employer contributions are always treated as tax-deferred contributions to the account. Employer contributions can immediately be converted to the Roth portion of your solo(k), so the entire account grows tax free. Talk to your tax advisor about the tax consequences of making that conversion into the Roth portion of the account.

The 401(k) is the only account that allows Roth and non-Roth contributions to be commingled. To learn more about how this works, please contact Advanta IRA for details.

**Take control of  
growing wealth for  
your retirement  
with a solo 401(k).**



# Advanta IRA Offers Three Solo 401(k) Options

	<b>Do Your Own Plan (Checkbook Control)</b>	<b>Standard 401(k) Recordkeeping Plan</b>	<b>Enhanced 401(k) Recordkeeping &amp; Reporting Plan</b>
<b>IRS approved plan documents</b>	Provided by Advanta IRA.	Provided by Advanta IRA.	Provided by Advanta IRA.
<b>Required updates to plan documents</b>	Advanta IRA updates plan documents and ensures IRS compliance at no additional cost to you.	Advanta IRA updates plan documents and ensures IRS compliance at no additional cost to you.	Advanta IRA updates plan documents and ensures IRS compliance at no additional cost to you.
<b>Who acts as plan trustee?</b>	You do, as plan owner.	You do, as plan owner.	You do, as plan owner.
<b>Where is the uninvested cash held?</b>	It is held at a bank of your choice in an account you open in the name of your 401(k).	It is held in Advanta IRA's trust account.	It is held in Advanta IRA's trust account.
<b>How are new investments processed?</b>	You ensure proper titling of investment paperwork. You execute all investment documents. You release funds from your 401(k) bank account.	Advanta IRA ensures proper titling of investment paperwork. You execute all investment documents. Advanta IRA releases the funds.	Advanta IRA ensures proper titling of investment paperwork. You execute all investment documents. Advanta IRA releases the funds.
<b>Who performs recordkeeping functions?</b>	You deposit investment income into and pay bills from the plan's bank account.	Advanta IRA deposits all investment income into your plan and pays bills from it at your direction.	Advanta IRA deposits all investment income into your plan and pays bills from it at your direction.
<b>Who files appropriate tax forms?</b>	You are responsible for all IRS reporting.	You are responsible for all IRS reporting.	Advanta IRA prepares all annual tax filings, including forms 1099-R and 5500EZ.
<b>How do I get checkbook control over my account?</b>	Checkbook control is automatic with this option.	A separate entity like a trust or LLC is needed.	A separate entity like a trust or LLC is needed.
<b>How do I track separate pre-tax and Roth contributions, transfers, and earnings?</b>	As trustee, you are responsible for tracking separate pre-tax and Roth funds. Advanta IRA suggests setting up separate bank accounts for those funds.	As the trustee, you are responsible for keeping track of the pre-tax and Roth funds. The pre-tax and Roth funds will be commingled into one Advanta IRA account.	Advanta IRA establishes separate accounts for the pre-tax and Roth portions of your plan and tracks the contributions, transfers, and earnings.



## Here Is a Real-World Example

Jim and Susan own J & S Consulting and have no employees. Jim is 55 and Susan is 48 years old. They each earn \$100,000 a year from J & S and can make the following employer and employee contributions to their solo 401(k)s.\*

	<b>Jim's Salary: \$100,000 (age 55)</b>	<b>Susan's Salary: \$100,000 (age 48)</b>
<b>Employee salary deferral</b>	\$23,500	\$23,500
Catch-up contribution for age 50+	\$7,500	n/a
<b>Employer contribution (up to 25% of compensation)**</b>	\$25,000	\$25,000
<b>Mega Roth employee contribution</b>	\$20,500	\$20,500
<b>Total contributions to their plans</b>	<b>\$76,500</b>	<b>\$69,000</b>

\*Based on 2024 contribution limits.

\*\*Dependent upon how J & S Consulting files.

# Alternative Investment Options

With a solo 401(k) you can invest in assets that you personally know and understand to grow retirement wealth. And, often some of these assets have the potential to build income at a faster pace than traditional stocks, bonds, and mutual funds.



**Rental Property**



**Fixer-Uppers**



**Multifamily Property**



**Private Lending**



**Private Placements**



**Privately Held Stock**



**Checkbook LLC**



**Precious Metals**



**And More...**





## The Advanta IRA Advantage

As a leader in self-directed account administration with almost \$3 billion in client assets under management, Advanta IRA delivers expert, professional service—with a personal touch. We handle your account details so you can focus on finding your next investment.

**Industry expertise:** We have more than 20 years of experience and success in our industry. Our staff is comprised of attorneys, Certified IRA Services Professionals (CISPs), and Self-Directed IRA Professionals (SDIPs).

**Unparalleled customer service:** Each client has a dedicated account manager who handles all details and provides expert administration of your investments throughout the investing process, while ensuring compliance with IRS regulations.

**Innovative educational platform:** We provide weekly podcasts, webinars, blogs, case studies, and videos to help you learn to maximize your investments. For professionals, we offer continuing education classes and on-site workshops at your firm.

**FDIC protection:** All uninvested cash in your Advanta IRA is held exclusively in FDIC insured institutions, up to applicable limits.



**Advanta IRA  
delivers expert,  
professional  
service—with  
a personal touch.**

# Build Retirement Wealth

## Knowledge Is Power

Invest in what you know and gain the potential to maximize the returns in your IRA to achieve financial success in retirement.

## Control Is Key

Choose your own assets to grow income instead of relying on a third party to do so. After all, who is better equipped to make these choices than you?

## Diversity Is Essential

Protect your hard-earned wealth. There are hundreds of alternative assets you can use to grow income and offset any stock market losses of traditional holdings.

**With Advanta IRA, you leverage all of the above to build and protect your retirement wealth.**

## Open a Solo 401(k) Today

It only takes 15 minutes to open your account and get started!



### Open Your Account

Contact Advanta IRA at 800.425.0653 and we will send you an application and guide you through the process.



### Fund Your Account

Transfer funds from an existing plan or roll over funds from a former employer's plan. If you are eligible, you can also make an annual contribution to your plan.



### Start Investing

Contact your Advanta IRA account manager to begin working with you on your investment paperwork right away.



Advanta|IRA

## Contact Advanta IRA

[Info@AdvantaIRA.com](mailto:Info@AdvantaIRA.com) | 800.425.0653 | [AdvantaIRA.com](https://AdvantaIRA.com)

Serving Clients Nationwide

Florida  
Georgia  
The Carolinas

*All information provided is for discussion purposes only.  
Please consult your tax advisor before entering  
into any financial transactions.*

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