



The Ultimate Guide **SOLO 401(k)**

Introduction to the SOLO 401(k)

If you're self-employed, a Solo 401(k) lets you go beyond stocks and bonds, investing your retirement funds in a wide range of alternative assets. Like a company-sponsored 401(k) but built for a single participant, it offers higher contribution limits, flexible investment choices, after-tax Roth contributions, and a loan option you can use for any purpose, tax- and penalty-free.

Because it's not bound by complex ERISA rules, you may enjoy greater tax advantages than with a traditional employer plan. You're eligible if you're self-employed – whether as a sole proprietor, LLC, partnership, or corporation – and have no full-time employees other than a spouse or co-owner.

Real estate. Gold. Crypto. And that's just the beginning of where your Solo 401(k) can take you.

How you can BENEFIT

There are four primary advantages of self-directing your retirement funds:

> Diversification

More than 90% of retirement assets are tied to the stock market. If the market drops, so can your savings. By adding alternative assets to your portfolio, you spread your risk and reduce your exposure to market downturns. This strategic diversification helps safeguard your wealth and gives you more control over your financial future.

> Security

Many alternative investments are tangible, real-world assets, such as real estate, that provide more than just financial returns. They can offer peace of mind. In times of market volatility, inflation, or political uncertainty, holding physical assets can give retirement investors a reassuring sense of stability.

> Tax Deferral

With tax deferral, every dollar your retirement account earns, whether from income, gains, or interest, grows without immediate taxation. That means your money compounds faster than it would in a taxable account. For example, if you invest \$100,000 in a Solo 401(k) and earn \$10,000 that year, you won't pay tax on those earnings now. When you eventually take distributions, you'll likely be in a lower tax bracket, allowing you to keep more of what you've built over time.

> Inflation Protection

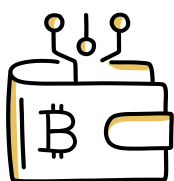
Rising costs for essentials like food and energy, combined with high national debt and low interest rates, can erode purchasing power. Alternative assets like precious metals and real estate can act as a hedge against inflation, protecting your savings. In particular, rental real estate can be especially effective—when prices rise, rents often rise too, helping your income keep pace with inflation.

Investments YOU CAN MAKE



REAL ESTATE

- > Residential or commercial
- > Domestic or foreign
- > Raw land
- > Foreclosure properties
- > Mortgage pools
- > Tax liens and tax deeds



CRYPTOCURRENCY

- > Bitcoin
- > Ethereum
- > Solana
- > Ripple



TRADITIONAL ASSETS

- > Stocks
- > Equities
- > Bonds
- > ETFs (exchange traded funds)



PRECIOUS METALS

- > Gold
- > Silver
- > Platinum
- > Certain coins
- > Gold, silver, platinum or palladium bullion of a certain fineness

ENTITIES

- > Private businesses
- > Limited liability companies
- > Limited liability partnerships
- > Private placements
- > Hedge funds
- > Private equity
- > Venture capital

*A Solo 401(k) is the **Best** Solution* **FOR SELF-EMPLOYED INVESTORS WHO WANT:**

- > More **control** over their retirement funds

- > To **diversify** their retirement portfolio and want to invest in **hard assets**.

Choose the Solo 401(k) that's BEST FOR YOU

TRADITIONAL SOLO 401(K)

A traditional, or pretax, Solo 401(k) allows self-employed investors to use their retirement funds to invest in alternative, as well as traditional, assets on a tax-deferred basis.

- > **Immediate Tax Deduction:** Contributions reduce your taxable income in the year they're made, potentially lowering your tax bill substantially.
- > **Contributions:** You can make two types of contributions – the elective deferral (employee) and profit sharing (employer). This gives the Solo 401(k) the highest contribution limit of any retirement plan.
- > **Tax-Deferred Growth:** Investments grow without being taxed until withdrawal, allowing faster compounding.
- > **Double Your Savings:** Your spouse can participate in the plan if he/she earns compensation from the business by making separate or equal contributions.

ROTH SOLO 401(K)

With a Roth Solo 401(k), you fund your account with after-tax dollars. You don't receive an upfront tax break, but when you take a qualified distribution, all income and gains are tax free.

- > **Tax-Free Withdrawals:** Qualified withdrawals in retirement are 100% tax-free, covering both contributions and earnings.
- > **Hedge Against Future Tax Increases:** Paying taxes now locks in today's rates, protecting you if future tax rates rise.
- > **No Income Limit for Contributions:** Unlike a Roth IRA, there's no income cap on who can contribute to a Roth Solo 401(k).
- > **Same High Contribution Limits:** Can still contribute up to \$70,000 in 2025 (\$77,500 if 50+), giving you more room for tax-free growth.

**Maximize Retirement Savings
with a Solo 401(k) Plan**

Open an Account



The main ADVANTAGES

The Solo 401(k) has the highest maximum contribution limit of any retirement plan.

For self-employed individuals, the Solo 401(k) offers unmatched savings potential. In comparison, an IRA allows annual contributions of only \$7,000 in 2025 (\$8,000 if you're age 50+). A Solo 401(k), however, lets you contribute both as an employee and as an employer.

For 2025, your combined contributions can be as high as \$70,000. If you're age 50 or older, you can make an additional \$7,500 catch-up contribution, bringing your total potential contribution to \$77,500. You're never required to contribute the maximum but having that flexibility can be a powerful tool for building your retirement savings. Plus, if your spouse works for your business, they can also contribute to the plan, effectively doubling your household's savings opportunity.

Other ADVANTAGES

ELECTIVE DEFERRAL & PROFIT SHARING

As the "employee" of your business, you can contribute up to \$23,500 in 2025 on a dollar-for-dollar basis from your compensation. If you're age 50 or older, you can contribute up to \$30,500 thanks to the \$7,500 catch-up provision.

As the "employer," you can also make a profit-sharing contribution of up to 20% or 25%, depending on your business structure. The combined total cannot exceed the annual limit set by the IRS each year.

COMPARED TO THE SEP IRA

While the SEP IRA is a popular retirement plan for small business owners, it does not have an employee deferral feature. The business must earn more money to reach the annual limit, which is lower than a Solo 401(k).

BYPASS ERISA

Because there are no other employees to protect, a Solo 401(k) is exempt from most of the complex ERISA (Employee Retirement Income Security Act) requirements. There are no fiduciary headaches, no complicated non-discrimination testing, and minimal paperwork.

BORROW MONEY

A Solo 401(k) plan loan allows you to borrow up to \$50,000 or 50% of the account balance (whichever is less) from your account. You essentially lend money to yourself, using your account balance as collateral.

The loan must be repaid over an amortization period of five years or less, the interest must be set at a reasonable rate, and payment frequencies can be no less than quarterly. Your plan documents must allow for a loan, and the proper loan documents must be prepared and executed. If the payments are made on time, there are no penalties or taxes applied when you take out the loan.

LEVERAGE REAL ESTATE INVESTMENTS TAX-FREE

If an IRA uses leverage to buy real estate, any income from that property can be taxed as "Unrelated Business Taxable Income" (UBTI). This is called "Unrelated Debt-Financed Income" (UDFI).

However, a special rule exempts 401(k) plans. This means your Solo 401(k) can use a loan to purchase real estate without triggering the tax, a significant advantage over IRAs for leveraged real estate investments.

Stay IRS COMPLIANT

PROHIBITED TRANSACTIONS

As new investment options emerge (e.g., cryptocurrency), the IRS must update the Tax Code. As a result, the IRS doesn't tell investors what investments are allowed, only what are prohibited.

There are two types of investments you can't make with a Solo 401(k): collectibles and transactions listed under Internal Revenue Code (IRC) 4975.

Collectibles include works of art, baseball cards, jewelry, stamps, and most coins (there is an exception for some coins).

Under IRC 4975, you can't buy or sell things, loan money, or provide goods or services between your 401(k) and "disqualified persons."

A disqualified person is a term used by the IRS to define individuals and entities that are prohibited from engaging in certain transactions with the plan. These include you (the plan owner), your spouse, lineal descendants and ascendants (your children, parents, etc.) and any entities controlled by such persons.

Prohibited transactions can take several forms. They may be direct, such as selling property from your 401(k) to your own business, or indirect, like routing the deal through another party to achieve the same result. They can involve self-dealing, where you use retirement funds for your own personal benefit, or a conflict of interest, where your role as fiduciary influences a transaction that benefits you instead of the retirement plan.

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Once you reach age 73, you are required to begin taking minimum distributions from most pretax retirement accounts, including Solo 401(k) plans. Failure to take RMDs can result in a significant tax penalty.

FILING REQUIREMENTS

A Solo 401(k) plan generally has minimal annual filing requirements, but there are key rules to follow. The most important is filing IRS Form 5500-EZ if your plan's total assets exceed \$250,000 at the end of the plan year or if you terminate the plan, with the form due by July 31 of the following year. Additionally, you must keep your plan documents current with IRS rules, including any required restatements, and comply with any state-specific filings if your plan is established as a separate trust. Failure to file required forms can lead to significant penalties.



We wrote
the book on
the Solo 401(k)



Why IRA FINANCIAL

IRA Financial was created by a former tax attorney to help investors take control of their retirement funds. We work to educate our clients about the tax-advantaged investments they can make with their Solo 401(k) plan.

IRA Financial has over 15 years of experience helping more than 24,000 clients in all 50 states invest over \$4.2 billion in alternative asset investments.

We “literally” wrote the book on the Solo 401(k) plan. Our founder, Adam Bergman, Esq., has written nine books on self-directed retirement plans.

IRA Financial Solo 401(k) is specifically designed and customized for each type of investment.

Whether it is real estate, private equity, venture capital, hedge fund, private business, cryptos, precious metals, hard money loans or much more, our tax experts will work with you to design the perfect retirement solution for your investment. Additionally, IRA Financial is the only self-directed retirement company that provides annual consulting, IRS tax reporting/filings, BOI FinCEN reporting, and full IRS audit guarantee.

Use the newly redesigned IRA Financial mobile app to set up and maintain your account. Everything is done on a secure, encrypted platform. Self-directing has never been easier.

See for yourself why IRA Financial is one of the leading providers of self-directed IRAs in the country:

- > Customized Solo 401(k) design for your investment
- > Flat annual fees
- > No transaction or asset value fees
- > IRA & 401(k) personalized rollover support
- > IRS tax reporting, including IRS Form 5498 & 1099-R
- > BOI Reporting with FinCEN
- > LLC IRS tax filing (Form 1065) and UBIT tax filings (Form 990-T)
- > Free Roth conversion
- > Free RMD support
- > Free tax research on Solo 401(k) plan topics
- > One-on-one tax support on the “disqualified person” and “prohibited transaction” rules.
- > One-on-one tax consultation on UBTI and UDFI rules
- > Free access to our Solo 401(k) books
- > Free access to our educational webinars and guides
- > Solo 401(k) IRS audit guarantee
- > Free HSA & Coverdell account for one year (a \$240 value)

Get Your Questions Answered

Let us help you plan for the future. Schedule a consultation with our New Accounts team to learn more about creating wealth with a your Solo 401 (k), or other retirement account.

Schedule a Free Consultation

Contact Us

www.irafinancial.com

800-472-1043

info@irafinancial.com