

How Business Owners Contribute $75,000 With Solo 401(k) Plans

The Entrust Group

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Today's Agenda

- Introducing Solo 401(k) Accounts
- Explaining Eligibility Requirements
- Reviewing Roles and Responsibilities
- Covering Contributions, Funding, and Distributions
- Understanding Differences Between Pre-Tax and Roth Contributions
- Analyzing FAQs
- Answering Your Questions



Meet Your Presenter



Michael Dozios

As Retirement Solution Specialist, Michael educates investors and professionals on tax-preferred retirement accounts to make more informed investment decisions.



About Entrust

- Self-Directed IRA and Solo 401(k) Administrators
- Knowledgeable Staff with CISP Certifications
- Monthly Educational Webinars

About Entrust

$5B
Assets Under Administration

26k+
Active Investors

45
Years of Service

1
Point of Contact



SECTION I

What is a Solo 401(k)?

Definition

A Solo 401(k) is a tax-advantaged retirement account for business owners with no employees (other than a spouse), allowing them to contribute as both the employer and the employee.

Also called: ***Solo 401(k) · Individual 401(k) · EZ 401(k)***

Why it Exists

Designed for self-employed individuals, freelancers, business partners, single-member LLCs, small business owners who want employer plan-level contribution power without common-law employees.

How it Differs from a self-directed IRA

A Solo 401(k) is an employer-sponsored plan, not an individual account like an IRA. The client acts as both plan sponsor and participant.

SECTION II

Eligibility Requirements

Self-Employment Income

Sole proprietor, LLC, S-corp, C-corp, or partnership; any structure with qualifying self-employment income.

The ”No Full-Time Employees" Rule

Know what counts as a disqualifying employee (hours/year threshold) vs. who’s excluded: business partners, spouses, certain part-time or seasonal workers.

If the Business Grows

If a client hires employees who no longer qualify for exclusion, the plan must convert to a different plan type or terminate.

Common Mistakes to Watch For For

Misjudging part-time/seasonal exclusions and missing the point at which a new hire changes plan eligibility.

SECTION II

Plan Structure & Required Documents

Plan Document

- Framework of a 401(k) Plan that meets IRS requirements to remain “qualified”.
- Qualified status is the ability for the plan to remain a tax-advantaged workplace retirement plan.
- Many conditions must be satisfied and rules followed for the plan to keep qualified status.
- Plan document can be reviewed by IRS, who provides an opinion letter as to the ability of the plan to meet qualification requirements based on its framework.
- Penserve is out plan document provider and has obtained an opinion letter from the IRS.

Trust Document

Appoints the trustee and grants them legal authority for the plan. Outlines what the trustee’s responsibilities are to the plan.

SECTION III

Employee vs. Employer: Who's Who in the Plan

The Employee (Participant) (Participant)

The individual working in the business: the client, in their capacity as the person who performs the work and participates in the plan.

The Employer (The Business)

The business itself: the same client, in their capacity as the business owner sponsoring the plan.

Trustee / Plan Administrator

The party responsible for ensuring the plan runs smoothly and stays in compliance. Makes sure tax reporting is done properly. Typically the business owner. Rare, but plan administrator duties can be delegated to a 3rd party.

SECTION III

Form Signatures

9 Participant Signature

I certify that I am the proper party to receive payment(s) from this qualified plan account and that all information provided by me is true and accurate. I further certify that no tax advice has been given to me by Entrust and that all decisions regarding this withdrawal are my own. I expressly assume the responsibility for any adverse consequences which may arise from this withdrawal and I agree that Entrust shall in no way be responsible for those consequences.
PLEASE SIGN AND SEND THIS FORM TO ENTRUST.

Signature of Participant:_____ Date:_____

10 Approval by Plan Administrator *(may be same as Participant above)*

The above request is hereby approved, and the Trustee is authorized to distribute the Participant's benefits in accordance with such request.

Authorized Signature:_____ Date:_____

SECTION III

Administrative & Compliance Responsibilities

Annual Filing

Form 5500-EZ is required once plan assets cross the IRS threshold of $250,000. Filing for the first time requires filing in all subsequent years. Form 5500 must be filed in the year plan is terminated.

Form 5500

Form 5500 reports to the IRS plan assets held within the year and the status of the plan, such as whether the plan is active, underwent amendments, or is terminating.

ERISA

Owner-only plans are generally exempt from most ERISA provisions. No non-discrimination testing and no fiduciary duties.

SECTION IV

Contribution Rules: 2 Ways to Contribute

Employee Elective Deferral

The client contributes as the "employee," an elective deferral against their own compensation, subject to the annual IRS deferral limit.

Employer Profit-Sharing

The client also contributes as the "employer." The business does not need to have a profit to make the employer contribution.

Combined Annual Limit (IRC §415(c))

Employee deferral + employer profit-sharing together are capped by the combined IRC §415(c) annual limit.

The ability to make both pre-tax and Roth contributions are automatically set up in our Solo 401(k) plan.

SECTION IV — QUICK REFERENCE

2027 Solo 401(k) Contribution Limits

$25,500

Employee elective deferral

up from $25,000 in 2026

$75,000

Combined limit (IRC §415(c))

up from $72,000 in 2026

Catch-up Contributions

UNDER 50

$75,000

Base limit, no catch-up

AGES 50–59, AND 64+

$83,500

$75,000 base + $8,500 standard catch-up

AGES 60–63

$86,750

$75,000 base + $11,750 "super" catch-up (SECURE 2.0)

Employer profit sharing contributions are limited to up to 25% of compensation for sole proprietors, single-member LLCs, and S-Corp/C-Corp owners.

SECTION IV

Multiple Plans & In-Kind Rollovers

Multiple 401(k) Plans

If you participate in more than one plan:

- For example, standard workplace 401(k) and Solo 401(k)
- $25,500 employee deferral limit applies across all plans
- $75,000 employer contribution limit is plan-specific

In-Kind Rollovers

You can rollover investments to a Solo 401(k) plan without liquidating them first

- Alternative Assets can be illiquid
- Avoids possible negative tax consequences and fees
- Quicker and avoids interruption to income stream

Please Note: In-kind annual contributions are not allowed.

SECTION IV

Pre-Tax vs. Roth: Benefits of Each

Pre-Tax (Traditional)

- Contributions reduce taxable income.
- Generally best fit when the client expects a lower tax bracket in retirement.
- Earnings grow tax-deferred.
- Withdrawals in retirement are taxed as ordinary income.

Roth

- Contributions are made with after-tax dollars. No income deduction.
- Roth contribution amounts are withdrawn tax and penalty free. Earnings are withdrawn tax-free with qualified distributions.
- Qualified distributions: Time since first Roth contribution has been 5 years or more and participant is age 59.5 or higher.
- Roth conversions available in plan. Taxed as ordinary income, but no penalties.

Not Tax Advice: This is a client tax-planning decision, and Entrust doesn't provide tax advice. Encourage clients weighing this choice to consult their own tax professional. Note: SECURE 2.0 requires catch-up contributions to be Roth for anyone who earned $150,000+ in FICA wages the prior year (see the 2026 Contribution Limits slide).

SECTION V

Participant Loans

Not available in IRAs, including SEP IRAs, a Solo 401(k) differentiator worth highlighting. Automatically built into our plan.

How Much

The **lesser** of:

- 50% of the participant's vested balance, or $50,000.
- Reduced by other outstanding 401(k) loans.
- Outside assets can be used to guarantee the loan.

Repayment Terms

Must be repaid within 5 years. Loans used to purchase a primary residence can have a longer repayment term.

Interest

Charged at a reasonable rate (i.e. prime + 1%), but that interest is paid back into the participant's own account, not to a third party.

Risk of Default

A missed payment can trigger a "deemed distribution," taxable as ordinary income, plus a possible 10% early withdrawal penalty if the participant is under 59½.

SECTION V

In-Service Withdrawals

Employee Deferrals

May be withdrawn once the participant is over 59½ years old or accessed with a hardship withdrawal.

Employer Contributions: After 5 Years

Once employer contributions have been in the plan for 5 years, the participant may withdraw up to 100% of them.

Employer Contributions: Before 5 Years

Prior to the 5-year mark, the participant may withdraw employer contributions that have been in their 401(k) account for 24+ months.

Employer Contributions: Age 55+

Once the participant is over 55 years old, they may withdraw up to 100% of employer contributions.

SECTION V

Required Minimum Distributions (RMDs)

Age Requirement

RMDs become due when participant turns 73 y/o. For participants born 1960 or later, age is 75 y/o.

Deadline

Must be taken by 12/31 of the year in which they are due. Exception is 1st year (you can defer until April 1st of following year.

Amounts

RMDs are calculated every year based on IRS life expectancy tables.

Working Exception Does Not Apply

For 401(k)s in which participant is less than 5% owner of business, RMDs are not due until participant separates from service. Does not apply to Solo 401(k).

SECTION V

Distribution Taxes & Penalties

Note: This information is for well-rounded knowledge purposes only. Entrust does not handle taxes and penalties. That is the responsibility of the trustee.

Tax Withholding

- Rollover-eligible distributions are required to have 20% federal tax withholding
- Some states require state tax withholding

Non-Rollover-Eligible Distributions

- RMDs
- Hardship Withdrawals
- Corrective Distributions (Return of Excess)
- Deemed Distributions from Loan Defaults

Early Withdrawal Penalty

Taking a distribution before age 59.5 (55 for our Solo 401(k)) may result in a 10% early withdrawal penalty.

Early Withdrawal Penalty Exceptions

- Disability or Death
- QDRO Divorce Distributions
- Unreimbursed Medical Expenses (more than 7.5% of AGI)
- Birth/Adoption, Personal Emergency, Domestic Violence Expenses

SECTION VI

Prohibited Transactions



Prohibited Transactions (IRC §4975)

Watch for disqualified persons, self-dealing, and investing in collectibles. The same core prohibited transaction concepts that apply to IRAs.

Consequence

A prohibited transaction does not automatically result in plan disqualification.

- 15% excise tax on amount involved for each year uncorrected. Additional penalties up to 100% of amount involved.
- Plan disqualification if not corrected.



Disqualified Persons

- Client
- Spouse
- Lineal Descendants
- Business entities in which client or their family members own 50% or more

SECTION VII

Who Administers the Plan? Self vs. Entrust

Self-Administered

Legally permitted. There's no requirement to hire a third-party administrator. The client, as Trustee, handles recordkeeping, contribution tracking, plan document updates, and IRS/DOL filing deadlines directly. Full responsibility, and liability, for anything missed sits with the client.

Entrust-Administered (TPA)

Entrust is hired by the Trustee to handle recordkeeping, plan document maintenance, and administrative support. This meaningfully reduces the client's day-to-day compliance burden. The client remains the legal Trustee. Entrust supports that role, it doesn't replace it.

Most clients choose to have Entrust administer the plan for exactly this reason: it doesn't remove their legal responsibility as Trustee, but it significantly lowers the operational and compliance burden of running the plan alone.

SECTION VII

What Entrust Does

Process Distributions & Loans

Generate Account Statements

Entrust keeps records of all transactions so that trustee can properly file with the IRS.

Process Transactions

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Keep Client Compliant

Entrust's plan document and rules/processes keep client compliant with IRS laws.

Processes Contributions

SECTION VIII

Fees

Fee Schedule Overview

- One $50 Account Establishment Fee covers pre-tax and Roth accounts
- Each pre-tax and Roth account will be charged $219 (single asset) or $329 (two or more assets) and 0.17% of total asset value over $50,000 (excluding cash)
- $449 Annual Plan Document Fee for whole plan
- Various Admin and Transaction Fees

SECTION IX

List of Common Questions



- I want to take a distribution out of my 401(k) account. What are my options?
- What taxes do I pay when taking a distribution?
- I want to take a loan from my 401(k) account. How can I do that and what are the terms?
- I have an old 401(k) or IRA I want to rollover into my Solo 401(k) at Entrust. Can I do that?
- I have a retirement account I want to rollover in-kind to my Solo 401(k) at Entrust. Can I do that?



- How much can I make in contributions?
- Can I have a Roth 401(k)?
- Can I do a Roth conversion? Do I pay penalties?
- Do I have to file a 5500? Can you do it for me?
- Who is the Plan Administrator?

Let’s Wrap Up



What's Next?

Sending you replay & additional resources

Our follow-up email will include video replay, slides, and more education

Register for December 3rd Webinar

2026 Precious Metals Market Review: Road to $5,000 Gold



What's Next?

Need more information on Solo 401(k)?

Visit our website and Learning Center

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Question & Answer Session



The Entrust Group

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