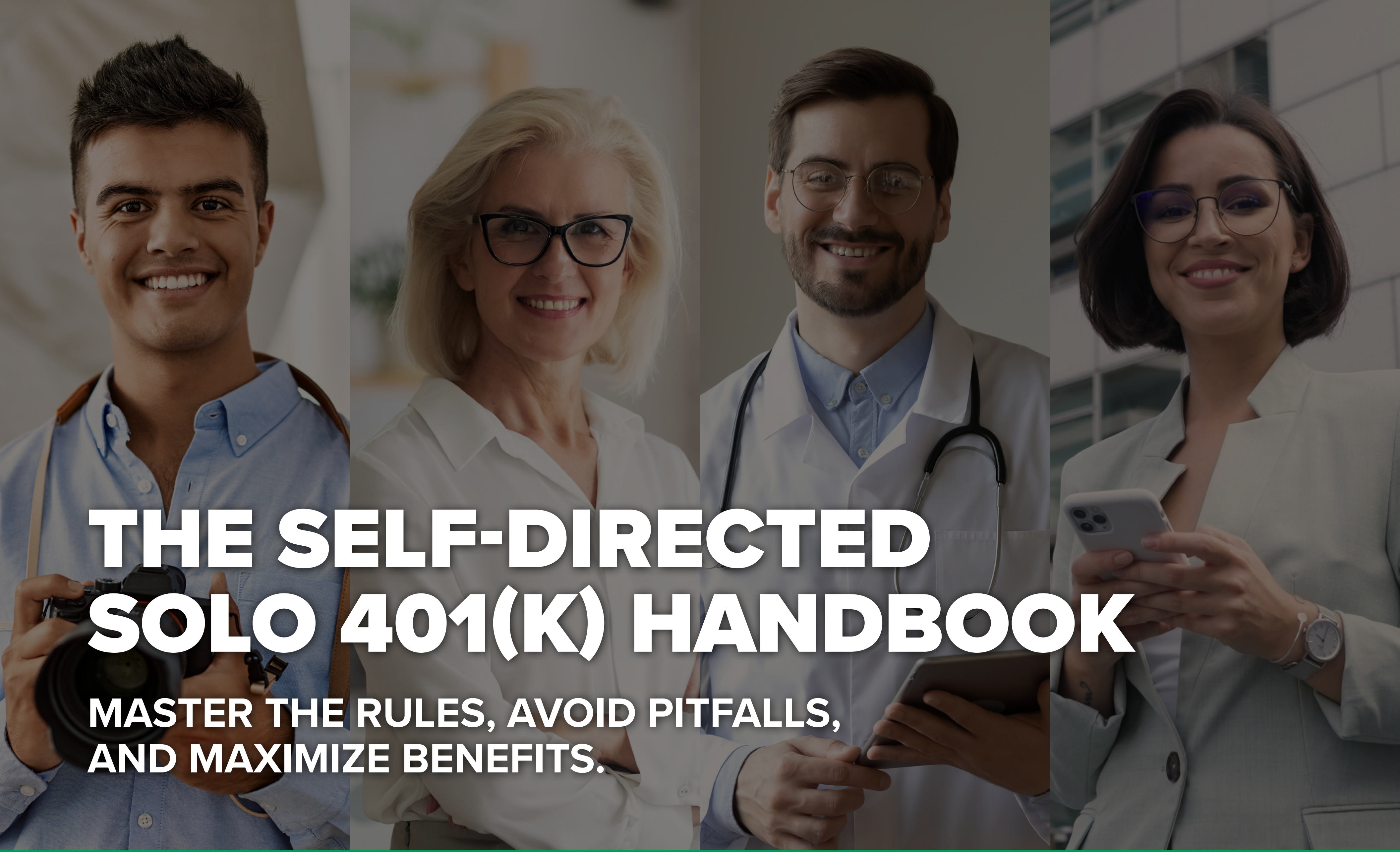

THE SELF-DIRECTED SOLO 401(K) HANDBOOK

MASTER THE RULES, AVOID PITFALLS, AND MAXIMIZE BENEFITS.

IRAR TRUST COMPANY

IRA RESOURCES, INC.

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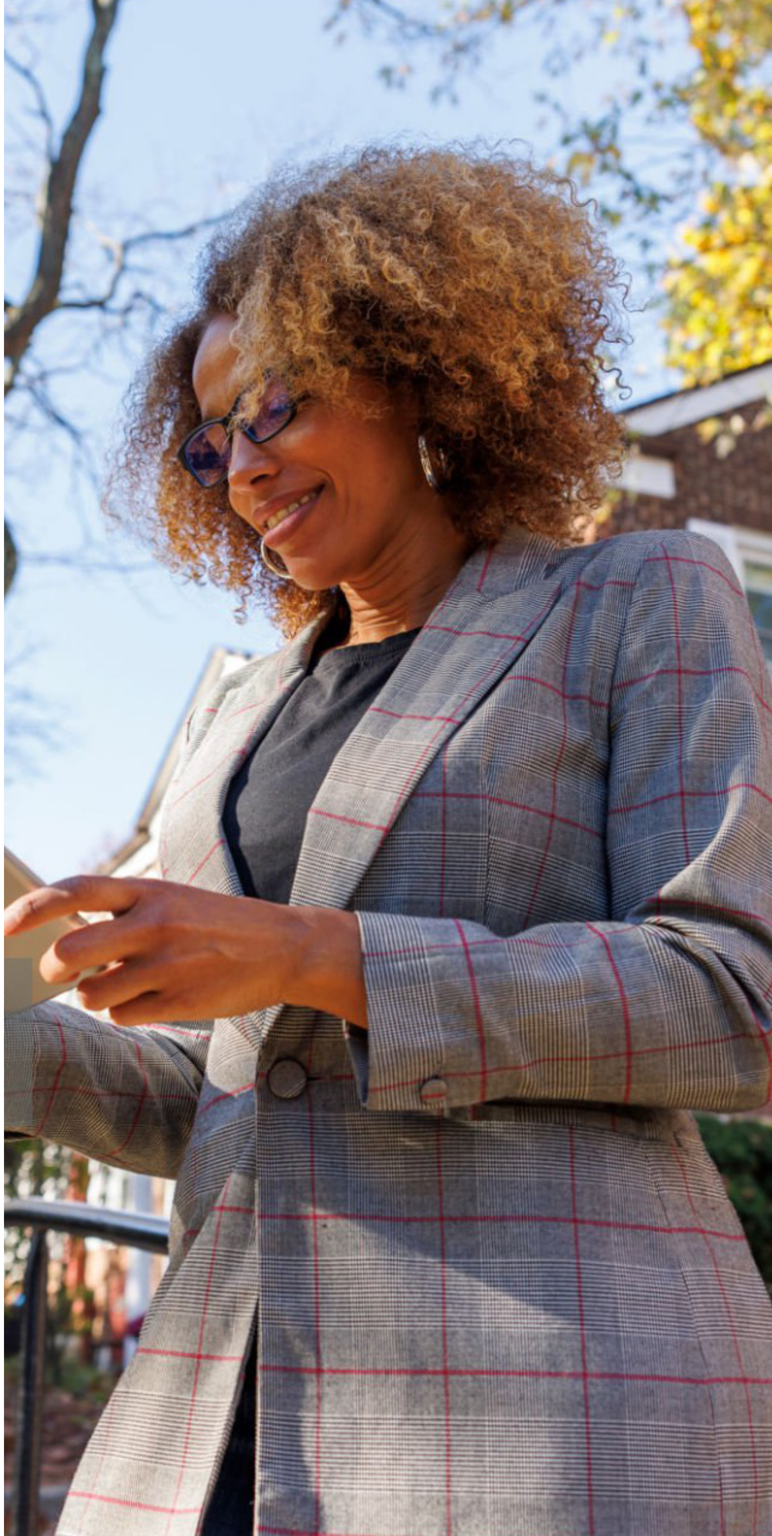


Solo 401(k) Plan Basics

Your Supercharged Self-Employed Retirement Account (with Perks Galore!)

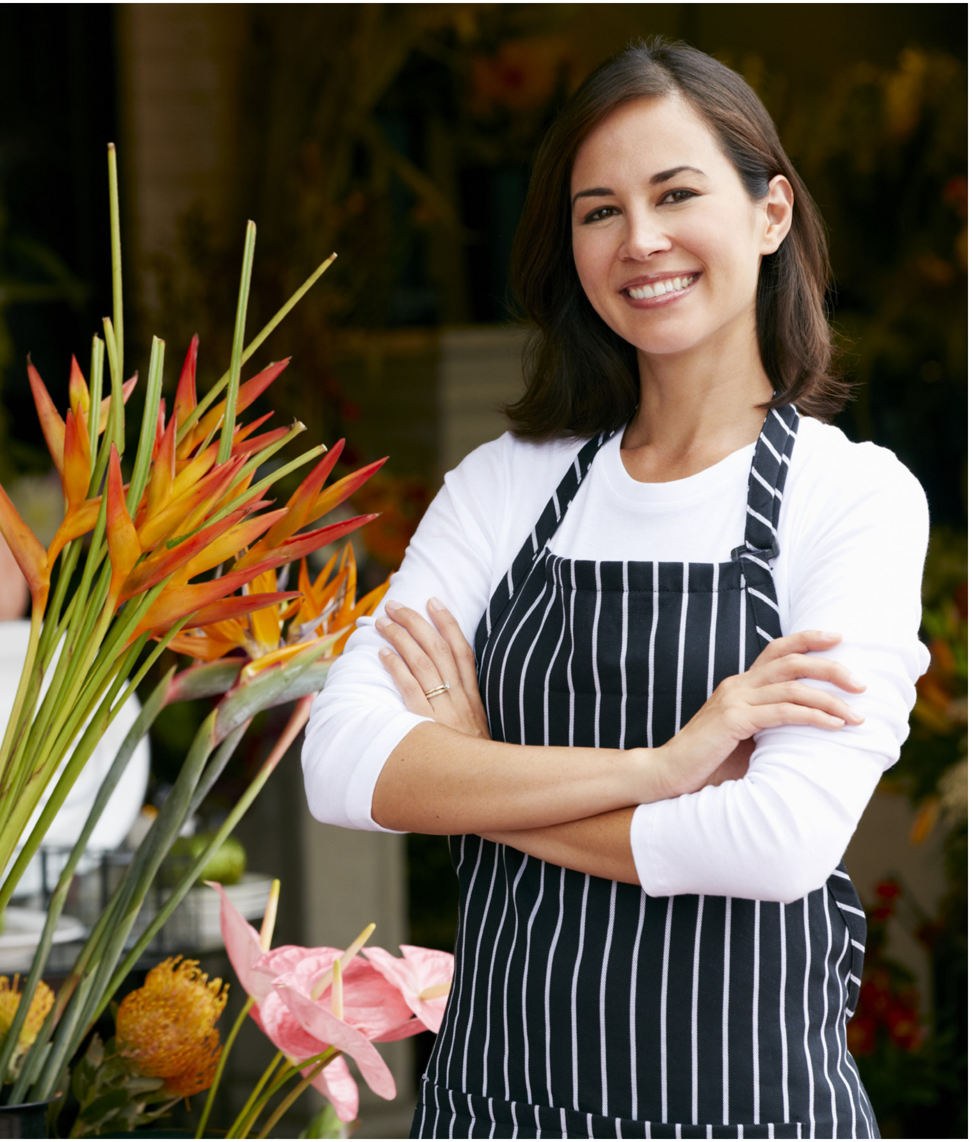
Think of a Solo 401(k) as a special retirement account for self-employed people with no employees. It lets you act like both the company and the worker, saving for your future while getting tax breaks on the way. The business owner and spouse can both benefit!

Compared to regular IRAs, Solo 401(k) plans offer a whole lot more for solopreneurs:

- Larger contribution limits and flexibility
- Roth component with no income limits
- Checkbook control
- Real estate investing
- Creditor protection
- Loan options
- Yes, there's more!

A Solo 401(k), also known as an Individual 401(k) or a One-Participant 401(k), is a retirement plan designed for self-employed individuals or small business owners without employees (except for spouses employed by the business). If you have employees, this plan is not for you.

To establish this plan, you must have an established business.



Main Benefits of a Solo 401(k)

Double the Retirement Savings

Your role as an employee allows you to make contributions to the account as you would to a standard employer-sponsored 401(k). Elective deferrals can be 100% of the compensation up to the annual limit (see contribution chart.) Add in the catch-up contribution if desired and eligible, and you can sock away a good bit of savings that will grow over time.

Remember that the contribution limits for employee contributions apply per person, not per plan, so if you or your spouse also have outside work that provides a 401(k), the limits apply to both plans combined.

Your role as the company owner permits you to make an additional contribution of up to 25% of the compensation for every participant. Sole proprietors and single-member LLCs are also able to contribute up to 25% of their net self-employment income. (Net self-employment income = gross income derived from your business minus your ordinary and necessary business expenses.)

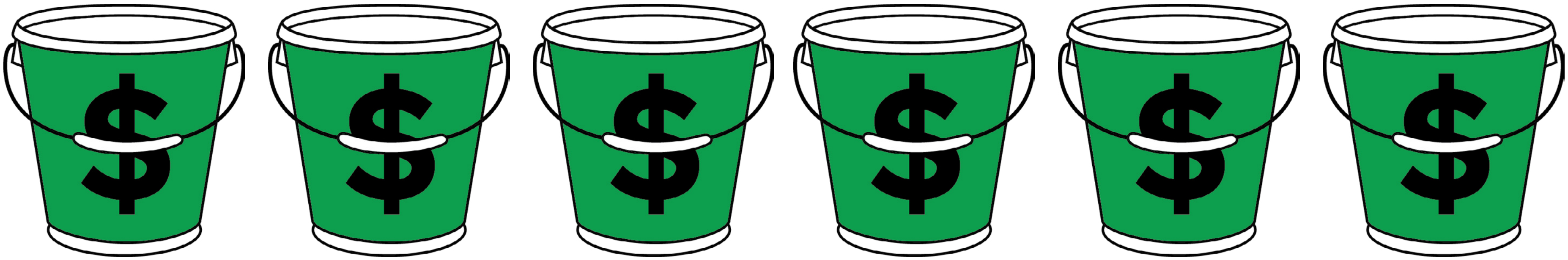
Different Types of Contributions

As a small business owner, you can make contributions as both employee and employer. It's important that you allocate your contributions properly for compliance. Different types of contributions (e.g., pre-tax, Roth) and rollovers have different tax rules.

If you are commingling contribution types in your recordkeeping, you may jeopardize the qualification of your plan as well as possibly cause unnecessary tax consequences.

For example, if you are not tracking Roth contributions properly, you may be paying taxes on the savings twice. Here is a breakdown of the types of contributions you can make to your Solo 401(k):

Pre-tax Deferral	Designated Roth	Profit Sharing	After-Tax	Rollover	Match



When making an investment, you may use funds from various source buckets. It's crucial to meticulously track these sources. Both income and expenses generated by the investment must be allocated back to their corresponding origin buckets based on investment percentage. Failure to record keep accurately can result in tax liabilities.

Assets Secured from Creditors

A Solo 401(k) plan protects the employee's retirement assets from the employer's creditors. If you end up filing for bankruptcy, your plan is automatically exempt under federal law.

Flexible Investing with Checkbook Control

- Solo 401(k)s open the world to both traditional and alternative investments such as real estate.
- A Solo 401(k) has its own bank account, allowing you to invest freely with checkbook control using the checking account established exclusively for your plan.
- You have full control of all investment purchases and sales — no approvals need to be submitted, and you call the shots.

Not Subject to Unrelated Debt-Financed Income

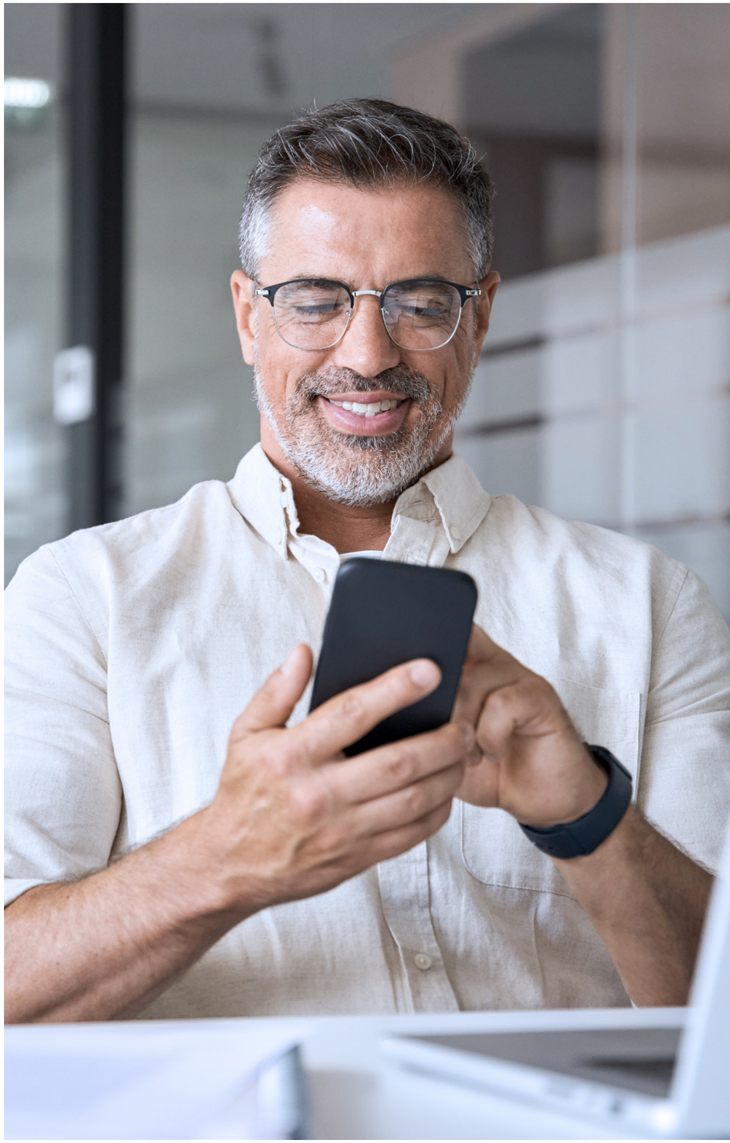
- When a self-directed IRA buys real estate using a non-recourse loan or mortgage, it creates unrelated debt-financed income (UDFI), which is taxable in other tax-exempt retirement plans like IRAs. With a Solo 401(k) plan, since it's considered an employee benefit plan, you can use a non-recourse loan without being subjected to the UDFI rules. This provides significant tax advantages over an IRA for investments such as real estate.shots.

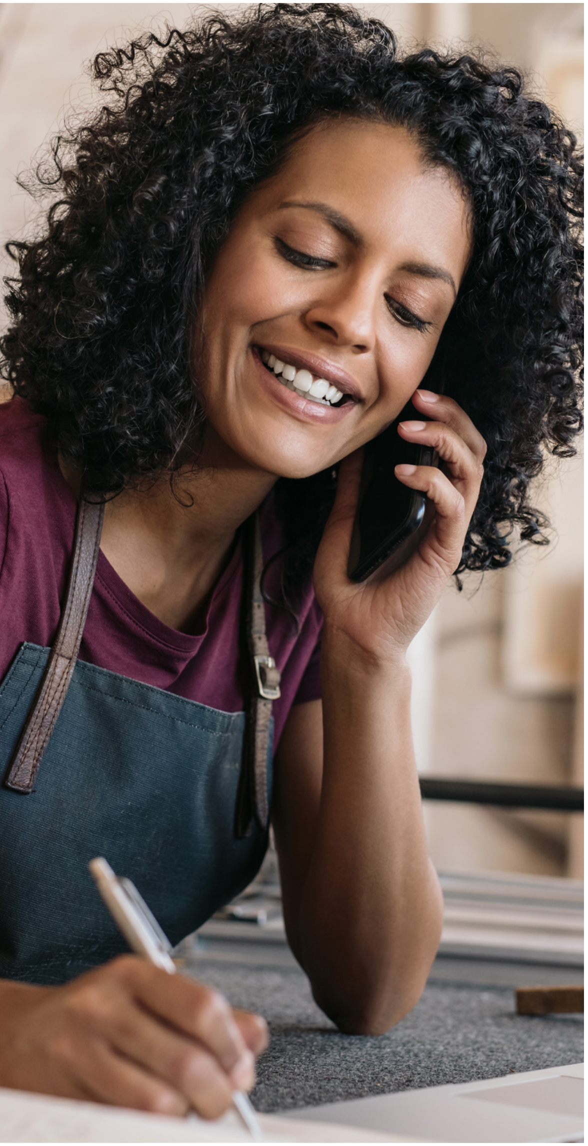
Loan Options

- You can borrow up to 50% of your solo 401(k) plan balance or $50,000, whichever is less. The repayment must not exceed five years unless it's for the purchase of your principal residence, which could extend the term to 30 years.

Roth Component

- The Roth component allows individuals to elect for their employee contribution to be made after taxes to a Roth account within the Solo 401(k) plan. This means contributions earnings on investments may be tax-free when you make withdrawals from the Roth component. There are also no income restrictions on Roth employee contributions, unlike Roth IRAs.
- It is important that Roth contributions are recorded separately from other contribution types. Since earnings may be tax-free in the future, you don't want to pay taxes on these contributions again or when you start taking withdrawals at retirement.





Highest Contribution Limits

The Solo 401(k) surpasses both IRAs and SEP IRAs (a popular retirement account among small business owners) in terms of contributions and benefits. Since several types of contributions can be made under the same plan (i.e., pre-tax and Roth employee deferrals, profit sharing, and after-tax) there's more opportunity to save for retirement. Plan owners are responsible for ensuring proper allocation of income and effective plan management through proper recordkeeping.

Solo 401(k) / Individual K	2024 Maximum Contribution	2025 Maximum Contribution
Employer Contributions Total contributions to a participant's account, not counting catch-up contributions, cannot exceed the maximum allowed for the year.	The lesser of 25% of employee's compensation up to the maximum limit of: **$69,000**	The lesser of 25% of employee's compensation up to the maximum limit of: **$70,000**
Employee Elective Deferrals/ Employee Contributions	Max. $23,000	Max. $23,500
Catch-Up Contribution if Over Age 50	$7,500	$7,500
Catch-Up Contribution if Age 60, 61, 62, 63	N/A	$11,250
Contribution Deadline	Employer's tax filing deadline (including extensions)	Employer's tax filing deadline (including extensions)

Rules

Understanding Prohibited Transactions and Disqualified Individuals in Your Solo 401(k)

To maintain the tax advantages of your Solo 401(k), it's crucial to be aware of prohibited transactions and understand who is considered a disqualified individual.

Disqualified Individuals:

You cannot engage in business or transactions with the following individuals using your Solo 401(k):

- Lineal Ascendants: This includes your parents, grandparents, and any further generations.
- Lineal Descendants: This includes your spouse, children, grandchildren, and any future generations directly related to you.

Prohibited Transactions:

These are actions that can disqualify your plan from receiving tax benefits. Examples include:

Self-dealing: Using your Solo 401(k) funds for your personal benefit, your spouse's benefit, or your business's benefit. This includes:

- Selling assets from your Solo 401(k) to yourself or a disqualified individual
- Using Solo 401(k) funds to pay for personal expenses

Investing in prohibited assets: Your Solo 401(k) cannot invest in certain assets, such as collectibles and life insurance.

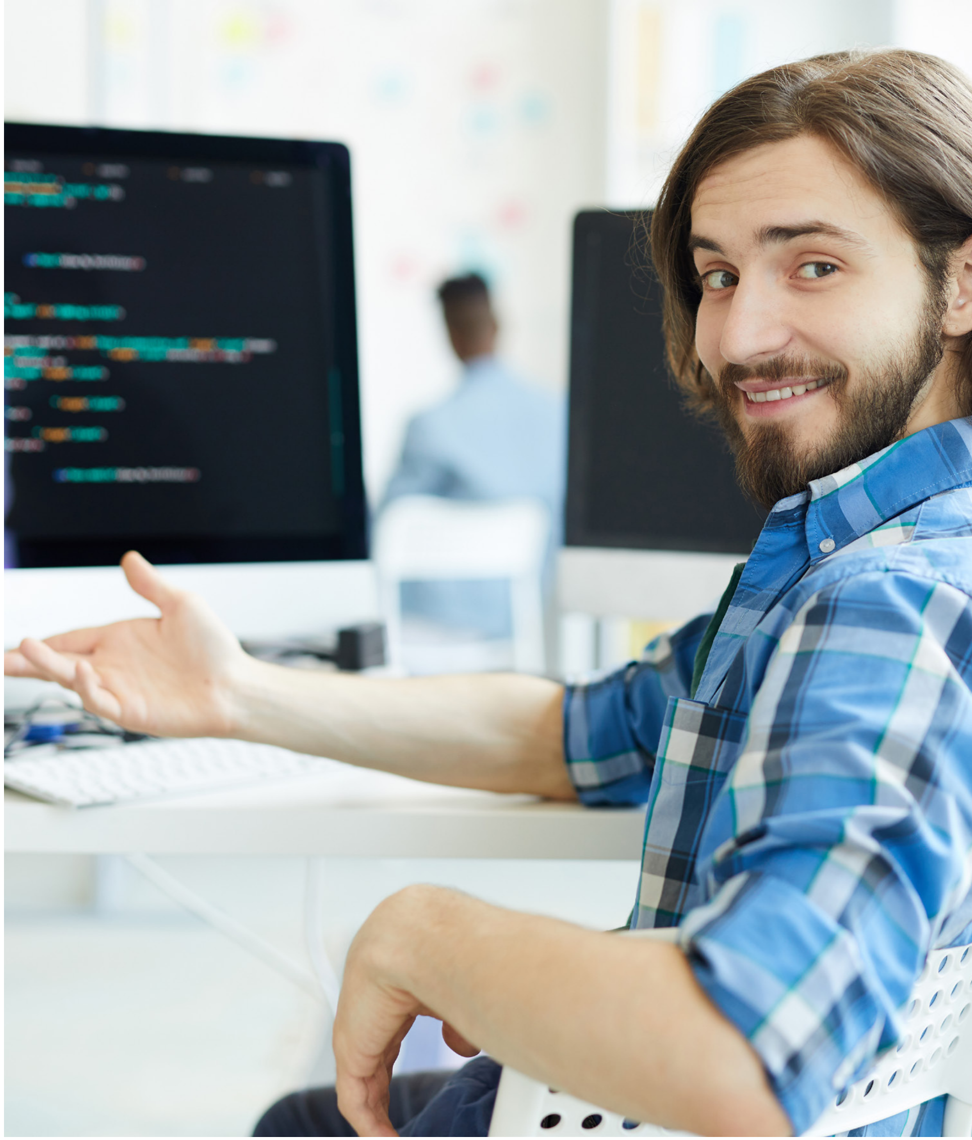
Consequences of Prohibited Transactions:

Engaging in prohibited transactions can result in severe consequences, including:

- Disqualification of your plan: Your Solo 401(k) loses its tax-advantaged status, and all contributions and earnings become immediately taxable, potentially with additional penalties and interest.
- Tax penalties: You may face hefty tax penalties on the disqualified amount.

Maintain meticulous records: Keeping good records is essential for several reasons. It helps ensure you comply with IRS regulations, simplifies tax filing, and allows you to track your retirement savings progress effectively.

It's critical to maintain a strict financial separation. This means keeping your Solo 401(k) funds completely separate from your personal and business finances.



IRS Updates and Reporting

Restatements

Restating a Solo 401(k) plan means updating the plan document to include new laws and regulations. This occurs when the IRS issues a mandatory update or when significant legislative changes impact the plan. Generally, the IRS sets a deadline for a restatement, requiring plan sponsors to adopt the updated language within a prescribed deadline.

It's important for plan holders to stay updated on any changes in tax laws and regulations that could potentially impact their Solo 401(k) plan. We strongly recommend working with qualified professionals to make sure your plan remains compliant.

Make sure you update your plan on time. Missing the restatement deadline may jeopardize the qualified status of your retirement account. A resulting penalty for missing the deadline could be that your contributions will no longer be deductible or that the funds already in the account can be distributed, creating a taxable event. Furthermore, for a Roth 401k, future earnings will lose their tax-favored status. As a part of IRAR's services, we will notify you of any restatements, as well as guide you through the restatement process.

Filing Form 5500-EZ

Accurate recordkeeping ensures that you report correctly to the IRS. Solo 401(k) plan holders are required to file an IRS Form 5500-EZ once the plan's assets surpass $250,000 or if the plan is terminated. Form 5500-EZ provides comprehensive information about the plan, such as contributions, assets, and participant details. This reporting is due by July 31st of each year for the previous calendar year.

If you take distributions from your Solo 401(k), whether they are regular distributions, early withdrawals, or required minimum distributions (RMDs), you must issue the IRS Form 1099-R. This form reports the distribution amount, any withholding, and the recipient details to both the IRS and the recipient.

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Comparison to SEP IRAs

SEP IRAs are retirement accounts for self-employed individuals, whether they have employees or not. Business owners often choose between SEP IRAs and Solo 401(k)s.

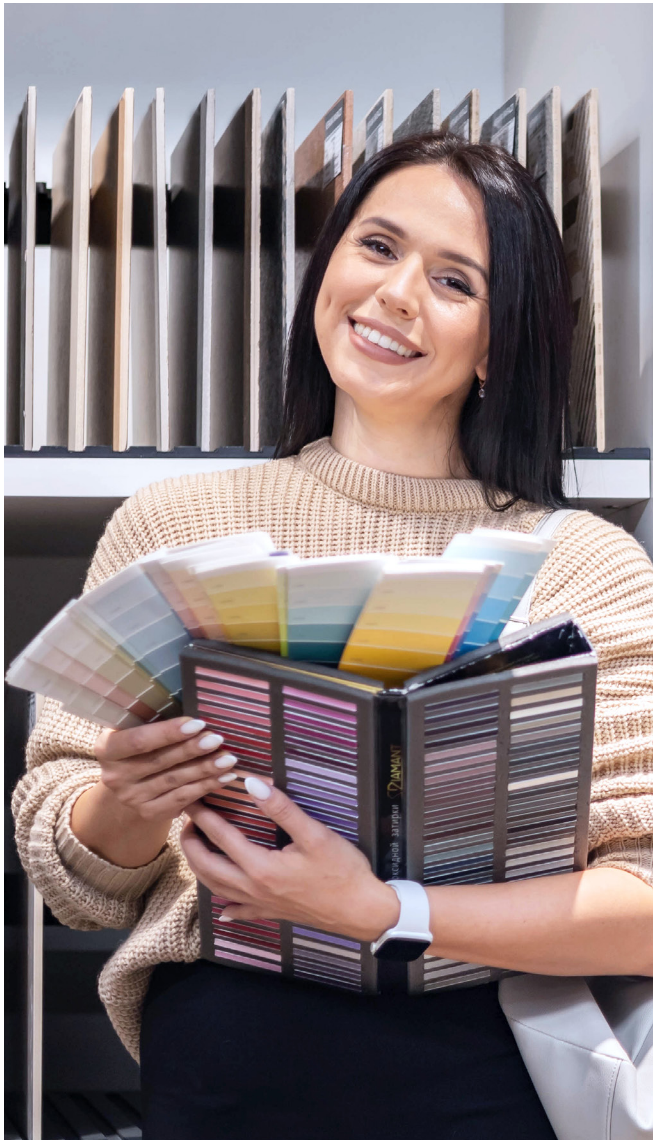
When comparing Solo 401(k) plans to alternatives like the SEP IRA, several distinct advantages and considerations emerge. Unlike SEP IRAs, Solo 401(k) plans allow for participant loans, enabling individuals to borrow from their accounts under specified conditions. Additionally, Solo 401(k) plans provide the option for Roth contributions, allowing for tax-free withdrawals during retirement. The maximum contribution limit is higher for Solo 401(k)s, comprising both employer and employee contributions, making it an attractive choice for those seeking to maximize their retirement savings. Furthermore, Solo 401(k) plans permit catch-up contributions for individuals aged 50 and older, providing a greater opportunity to save for retirement.

However, it's essential to weigh these advantages against potential complexities and administrative responsibilities associated with Solo 401(k) plans, ensuring the chosen retirement strategy aligns with your individual needs and preferences.

MAIN PLAN COMPARISON	Solo 401(k)	SEP IRA
Multiple employees	✗	✓
Roth contributions	✓	✓
Higher contribution limits	✓	✗
Tax-free withdrawals at retirement	✓	✓
Checkbook control	✓	✗
Catch up contributions	✓	✗
Loan from plan	✓	✗
Asset protection	✓	✗
IRS Reporting	✓	✗

Setting Up a Solo 401(k) Plan at IRAR

Setting up a Solo 401(k) at IRAR is easy and can be done online. The first step is to determine your eligibility. If you have employees besides your spouse, you won't be eligible.



Gather the Necessary Documents

- Business EIN – This establishes that you are a company in business.
- Separate EIN for a Solo 401(k) – This is important because you want to keep your company assets and your retirement plan assets separate for tax purposes.
- Business incorporation date
- Valid government ID to establish the business owner's identity

Complete the IRAR Online Application

If you have all the documents listed, this should not take much time.

Set Up the Plan's Bank Account for Checkbook Control

Starting fresh? Create a new bank account right on our platform! This lets you easily move funds and make contributions with just a few clicks.

Moving Your Solo 401(k) Plan to IRAR

Already have a Solo 401(k) and want to move it to IRAR's platform? Make sure you have the aforementioned documents needed to open an account for a seamless transition.
You can move your plan at any time. Complete our online application, pay the flat annual fee, and link your existing Solo 401(k) bank account to your new platform to access your plan documents and recordkeeping system. This way, you can track your Solo 401(k) activity and view all your accounts in one place. Just remember, while you can see everything, moving funds will still need to be done through your existing bank.

This step is important to record your contributions, asset income, and expenses and properly allocate the funds coming in and out of the plan. This is how you keep your plan compliant. You can do it all on our platform, easily.

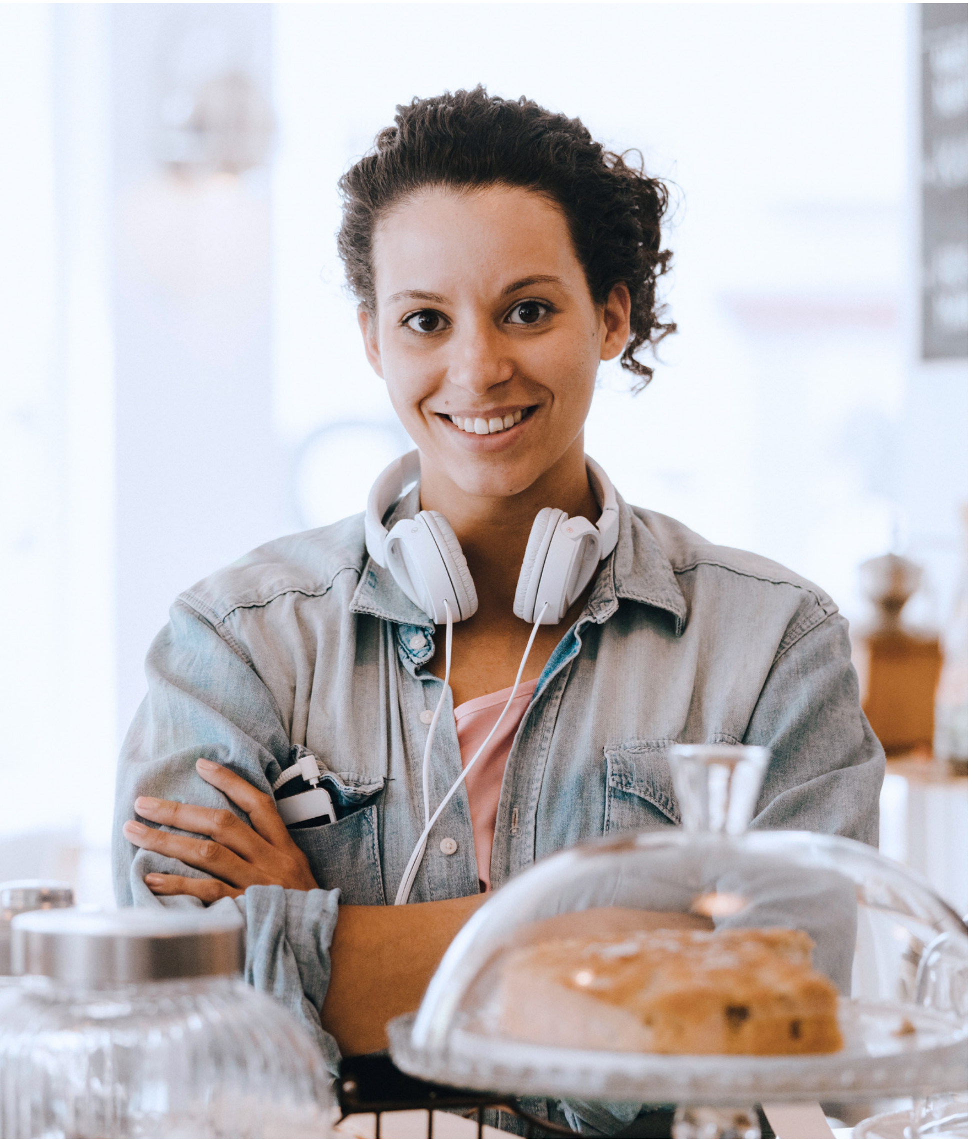
Once your account is open, you will need to notify your prior provider that you will no longer be using their services. We will provide you with a Termination of Plan Service letter to submit to your previous plan provider. Make sure you specify to not terminate your Solo 401(k) plan, just the services, because you are moving the plan to a new provider.

Moving Your Plan's Funds and Assets from a Provider to IRAR

If your assets are in a cash position, they can stay in the bank account you currently use, or you can move them to one of our bank partners by establishing a new checking account for your Solo 401(k).

Any existing investments in your plan (stocks, real estate, etc.) will remain as part of the Solo 401(k). The plan name doesn't change so the assets remain in the name of the plan.

Remember, you are not terminating the plan, you are only switching plan providers. The only difference is that you now have a new plan document provider (IRAR) and a recordkeeping platform for your plan to stay compliant.



Real Estate Investments in a Solo 401(k)

When you invest in real estate with your Solo 401(k), the income generated is tax-deferred until retirement. This means that you will not pay taxes on the investment income until you take distributions at retirement age. That's because the property itself is held in the name of the Solo 401(k), separate from your personal holdings.

To manage finances, you must use the dedicated checking account for income (rent) and expenses (maintenance, taxes) associated with the property.

Our platform helps you track and allocate expenses by asset when you link your plan's checking account. This is very important when you have different types of deposits (asset income and contributions.)

Administrative Responsibilities of Your Solo 401(k)

Once your Solo 401(k) account is up and running, there are ongoing administrative tasks you'll need to stay on top of. Managing a Solo 401(k) is a lot simpler than you may think; you just need the right tools to get the job done, timely and compliant.

The most important aspect of managing your own retirement plan is recordkeeping. Most Solo 401(k) systems do not provide accurate recordkeeping, and if they do, they are not self-directed or are limited.

MANAGE YOUR SOLO 401(K) WITH CONFIDENCE.
Discover IRAR's user-friendly recordkeeping solution.

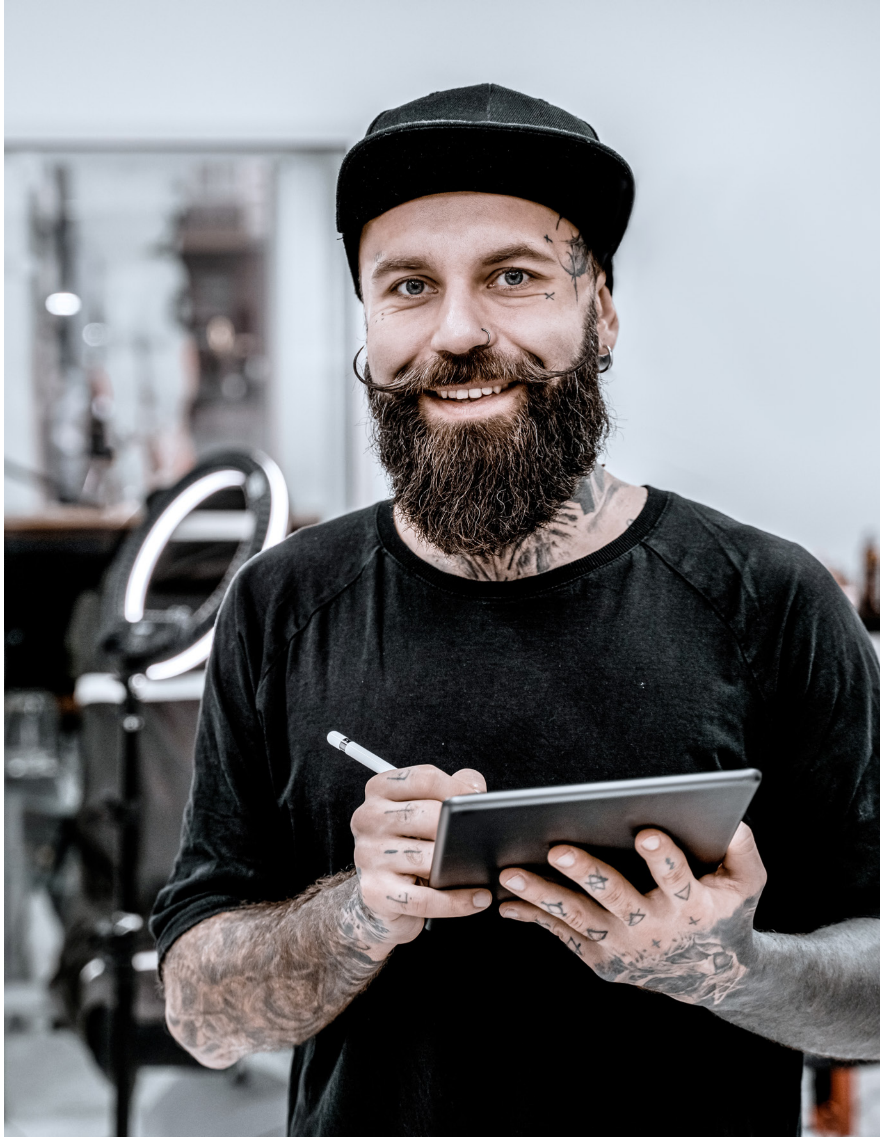
- **Contribution and Distribution Tracking:**
  It's important to keep tabs on the money going in and out of your account and to allocate it properly based on where it came from (deferrals, rollovers, Roth, etc.).
- **Account Income and Expenses Segregation (e.g., Roth deferrals vs. other deferrals)**
  Clearly separate Roth asset income and expenses from your other deferrals. If you are not doing this and your contribution types are not tracked properly, you could be paying double taxes and jeopardizing the qualified status of your plan. Roth, etc.).
- **Allocation:**
  Designating income and expenses to the appropriate assets in the plan is also important to make sure you have the most accurate asset performance information.
- **Loan Tracking:**
  Make sure repayments are put into the appropriate sources.
- **Timely Reporting of Form 5500-EZ:**
  You are responsible for reporting to the IRS when your account value is over $250,000.
- **Timely Filing of Form 1099-R:**
  This reports distributions of your plan to the IRS.

How IRAR Can Help

The Solo 401(k) stands out as a powerful retirement savings tool tailored for the self-employed and small business owners. It offers distinct advantages such as the highest contribution limits, creditor protection, flexible investment options, and the unique ability to borrow from the plan.

However, it's crucial to understand the importance of proper recordkeeping to keep your plan compliant. Our one-of-a-kind online platform includes carefully curated recordkeeping features to help you follow plan rules, and it's super easy to use. It helps you track your plan's debits and credits, segregates the distinct types of contributions, and helps you allocate funds to the proper plan sources. This keeps your plan compliant with IRS rules. No other platform offers these comprehensive features.

Managing your Solo 401(k) doesn't have to be intimidating. With the right provider on your side, you can take control of your financial future and build a solid foundation for retirement bliss. So, let's get started on this exciting adventure together!



SOURCES:

https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/401k-plans-for-small-businesses.pdf

https://www.iraresources.com/solo-401k-plans-self-directed

An Easier Way to Self-Direct Your Solo 401(k)

Plan Amendments	Effortlessly manage your plan timely with cost-free amendments, ensuring compliance with the latest changes in tax law and meeting IRS deadlines.
5500-EZ, 1099-R Reporting	Prepare your annual IRS reporting easily and accurately— all with no additional fees.
Accurate Recordkeeping	Ensure compliance with IRS regulations by accurately allocating debits and credits through our online platform. No paperwork or approvals needed; our system ensures a hassle-free process.
Roth Contributions	Seize the opportunity to enhance your savings through Roth Elective Deferrals. Unlock the potential for tax-free distributions at retirement.
Easy Document Access	Safely store your plan-related documents, agreements, contracts, receipts, and expenses all in one place for access from anywhere.
Knowledgeable Support Team	Tap into a professional network of experts who understand self-directed retirement plans and alternative assets.
Automatic EIN Filing	Apply for an EIN for your Solo 401(k) easily with guided instructions to establish your plan faster.
Checkbook Control	Simplify your plan's recordkeeping by establishing checkbook control or linking an existing checking account – all at no extra cost.

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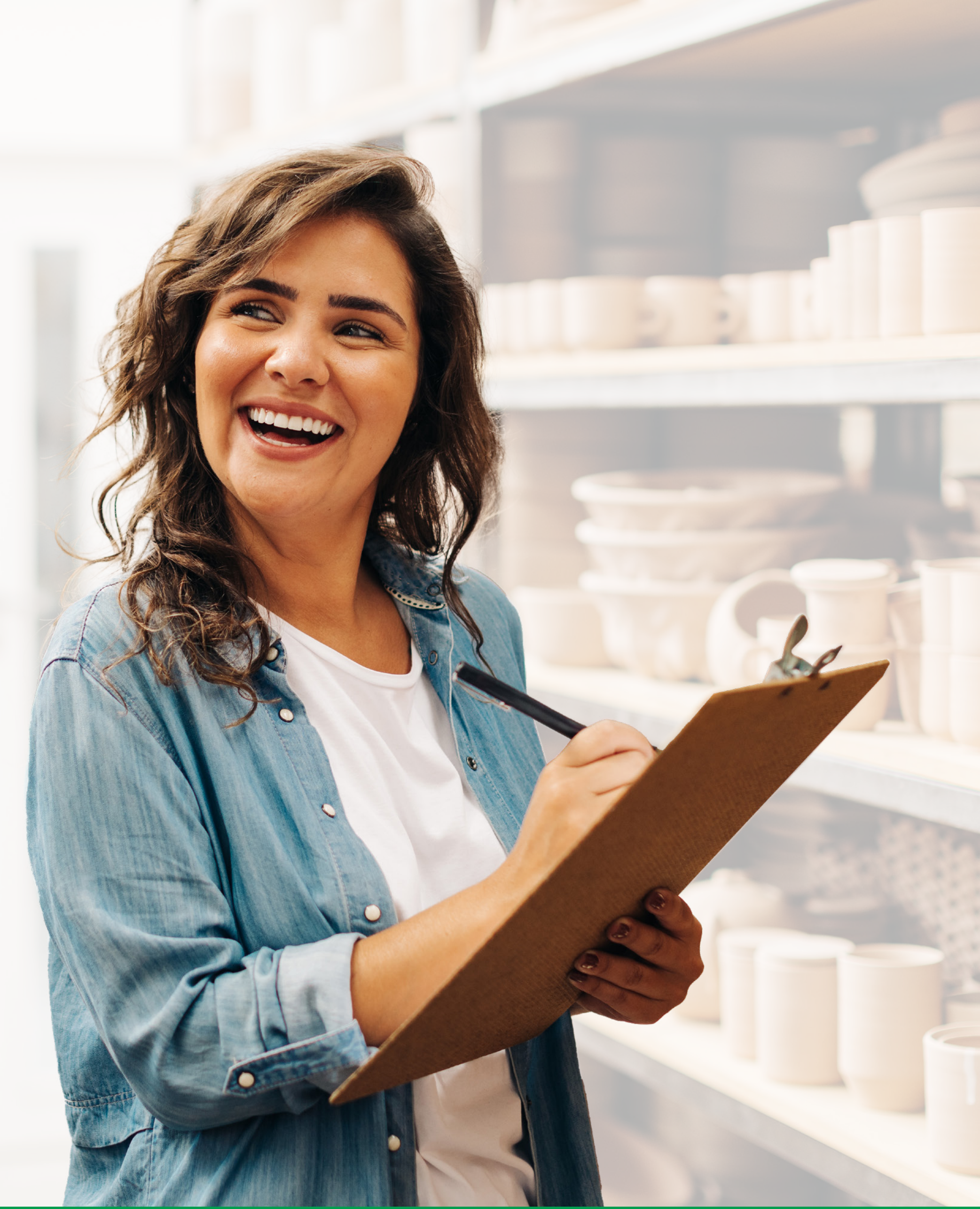

IRAR is a self-directed retirement account custodian, knowledge leader, and provider of account administration for self-directed retirement plans and real estate investments. Since 1996, IRAR has been an industry forerunner, placing a high value on firsthand, cost-effective personal service. We make self-directed retirement easy.

IRAR does not promote any investments. Rather, it provides the administration, information, and tools to help make self-direction straightforward, cost-effective, and compliant.

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