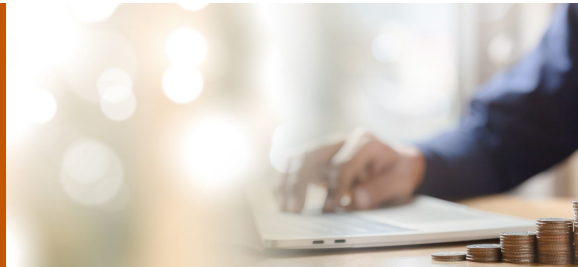


Solo 401(k) Plans – Two Key Points You Should Know

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Solo 401(k) plans can be an outstanding way for self-employed individuals and owner-only businesses to accelerate retirement savings, but they come with a few key rules that are easy to overlook. Whether you're maximizing contributions or simply making sure your plan stays compliant, understanding the nuances around after-tax contributions and Form 5500-EZ filing requirements is essential. Below are two important considerations to review as you manage your Solo 401(k).

After-Tax Contributions

In addition to the standard employee deferrals and employer contributions, some Solo 401(k) plans can be set up to allow *after-tax* contributions. This feature can be especially valuable if you're looking to maximize your retirement savings. After-tax contributions may also open the door to Roth conversions within the plan, creating additional tax-planning opportunities.

Form 5500-EZ Filing Requirement for Plans Over \$250,000

Once your Solo 401(k) plan's assets exceed \$250,000 at the end of a plan year, you are required to file Form 5500-EZ with the IRS. This filing is not automatically handled by your CPA firm, financial advisor, or asset custodian unless you specifically request it. It's important that you monitor your plan assets annually and confirm with your advisor whether you've crossed the filing threshold. Not filing when required can trigger steep IRS penalties.

Even if your firm assists with your tax filings, don't assume that Form 5500-EZ is being filed on your behalf. Be proactive:

- Review your plan's year-end balance.
- Confirm whether a Form 5500-EZ is required.
- Ensure you have a professional equipped to prepare and file the Form 5500-EZ, if needed.
- If you hire employees, your Solo 401(k) Plan may need to be redesigned in order to pass additional IRS compliance tests.

Contact Us for Guidance Solo 401(k) plans offer excellent benefits but come with important responsibilities. If you'd like to review whether after-tax contributions make sense for you, or confirm your Form 5500-EZ requirements, please reach out to Johnson O'Connor Retirement Plan Services.

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