Solo 401(k) Retirement Plan

A guide for owner-only businesses

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Bigger benefits for smaller companies

Greater saving potential at age 50 when an additional $7,500 can be contributed as catch-up contributions.

Retirement plans have become a benefit no business can afford to ignore — even the smallest. In addition to providing an additional source of income outside of your business, investing in an Invesco Solo 401(k) helps you and your business through tax-deductible employer contributions, access to tax-deferred savings growth on investments as well as access to tax-free retirement income via the Roth 401(k) feature.

If the following applies to you, then an Invesco Solo 401(k) may be the retirement plan for your business:

- You are an owner-only corporation, partnership, sole proprietorship, or nonprofit entity
- Employ yourself and a spouse

It is important to note that the Invesco Solo 401(k) Plan is not designed for employers with long-term part-time[1] or full-time rank-and-file employees such as assistants, clerical workers and lower paid individuals.

Retirement plans compared

The chart provided shows the maximum contribution allowed at various income levels for different retirement plans. Through employee deferrals and employer contributions, the Solo 401(k) plan allows the greatest savings potential at every income level.

Compensation ($)	SIMPLE IRA ($)	SEP IRA ($)	Profit-sharing ($)	Solo 401(k) ($)
45,000	17,350	11,250	11,250	34,250
85,000	18,550	21,250	21,250	44,250
100,000	19,000	25,000	25,000	48,000
185,000	21,550	46,250	46,250	69,000

Chart assumptions for 2024: In a SIMPLE IRA, the maximum annual contribution a business owner can make is a $16,000 deferral plus a 3% matching contribution based on annual compensation. In a SEP, the maximum annual contribution a business owner can make is 25% of annual compensation up to $69,000. In a profit-sharing plan, the maximum annual tax-deductible contribution a business owner can make is 25% of income up to $69,000. With a Solo 401(k), the maximum annual tax-deductible contribution a business owner can make is 25% of income (20% for self-employment income) plus an additional $23,000 in deferrals. Overall limits cannot exceed the lesser of 100% of income up to $69,000. The calculations in the above chart are based on an incorporated business making the maximum allowable tax deductible contribution of 25% and does not include catch-up contributions. Employee catch-up contributions are permitted at age 50. SIMPLE IRA employees can contribute an additional $3,500 pretax while, Solo 401(k) participants can contribute an additional $7,500 as traditional pretax and/or Roth after-tax deferrals.

1. Long-term part-time employees are part-time employees who work at least 500 hours during three consecutive 12-month periods.

This information is not intended as tax advice. Investors should consult a tax advisor.

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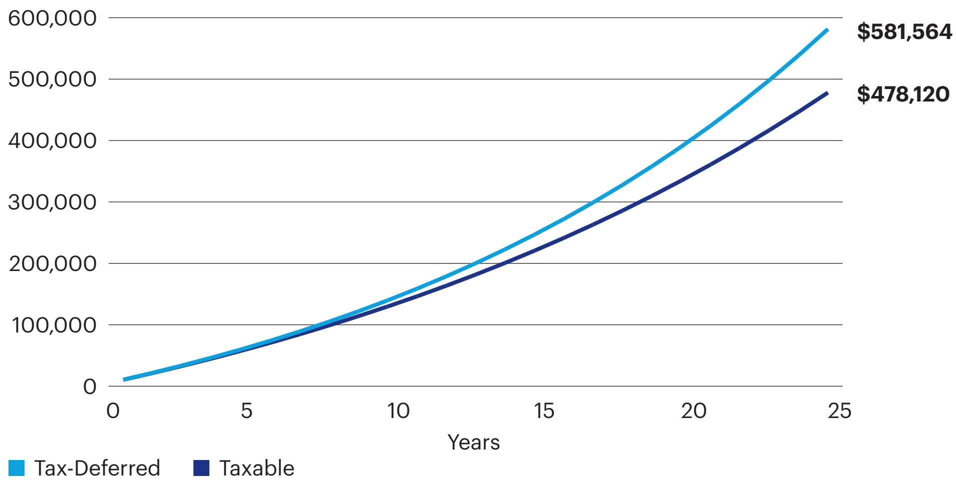
Advantages of tax-deferred growth

Investing in a tax-deferred account could potentially mean $103,444 more saved for retirement than if you invest in a taxable account.

You can potentially accumulate assets much faster in an Invesco Solo 401(k) plan than in a taxable savings account. Contributions plus earnings — reinvested interest, dividends, and capital gains — compound tax-deferred until you withdraw them as retirement income. Please keep in mind, withdrawals made prior to age 59½ will be taxed as ordinary income and may be subject to additional tax penalties. Also, consider your current and anticipated investment horizon and income tax bracket before making an investment.

Deferring taxes on investment earnings may accelerate savings
Growth of $10,000 invested annually at 6% for 25 years, tax-deferred vs. taxable at 22% ($)



The hypothetical examples and estimates of a 6% average annual total return are for illustrative purposes only and are not intended to represent the performance of a particular investment product or a real investor. Your actual return and tax bracket aren't likely to be consistent from year to year, and there is no guarantee that a specific rate of return will be achieved. The example assumes an individual in the 22% tax bracket made annual $10,000 contributions and did not adjust for increases in the annual IRS contribution limits and assumes no withdrawals. This illustration does not reflect the performance of fees and charges associated with any specific investment, nor does it take into account the effect of inflation. Tax rates and brackets are subject to change. The tax-deferred account will be taxed as ordinary income upon distribution, while the lower maximum tax rates on capital gains and qualified dividends would make the return on the taxable investment more favorable, thereby reducing the difference in performance between the two accounts shown. Investment returns fluctuate over time and losses can occur. This hypothetical is based on current tax laws, which are subject to change. This information is not intended as tax advice. Investors should consult a tax advisor.

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The advantages of a 401(k) without the complexity

The Invesco Solo 401(k) offers the same savings potential of a 401(k) plan for a large company, but without the compliance requirements. As the plan sponsor, you may select features such as Roth 401(k) to gain access to potential tax-free earnings. You can also opt to access your savings through loans and hardships should the need arise.

Funding the Solo 401(k) plan

The plan may be funded through participant salary deferrals and discretionary employer profit-sharing contributions. The maximum contributions allowed is a combination of 401(k) salary deferrals and employer contributions which cannot exceed $69,000 ($76,500 if age 50 and over). When calculating these amounts compensation is limited to $345,000.

Employer contributions

- The maximum tax-deductible profit-sharing contribution is 25% of total compensation paid to plan participants.[2]
- Profits are not required in order to make a contribution, however, you will need to have a set formula for determining how the contributions will be determined.

Participant 401(k) salary deferrals

- The maximum allowable deferral is the lesser of 100% of employee's compensation, or $23,000.
- Participants age 50 and above may contribute an additional $7,500 in catch-up contributions, for a maximum of $30,500. Catch-up contributions do not count towards the overall maximum allowing for a maximum of $76,500.
- Deferrals may be made as traditional (pretax) and/or Roth (after-tax) 401(k) contributions.

Vesting

- You and your spouse are immediately 100% vested.

Distributions

- **Qualifying distributions:** Permitted when the participant has experienced a triggering event such as attainment of age 59½, separation from service, disability or death.
- **Required minimum distributions (RMDs):**
  - **5% owners or greater** must start withdrawing pre-tax balances by April 1 of the following year after turning age 73. Subsequent RMDs must be taken by December 31 each year thereafter.
  - **Non-owners and less than 5% owners** must start taking distributions of pre-tax balances by April 1 of the calendar year after turning age 73 or the year they retire, whichever occurs later. Subsequent distributions must be done by December 31 each year.

Accessing your retirement savings while still working[3]

- **Loans:** Participants may borrow up to 50% of their retirement account balance or $50,000, whichever is less. The minimum loan amount is $1,000.
- **Hardships:** Employee salary deferrals and employer contributions may be accessed prior to age 59½ due to a financial hardship. Participant will be subject to ordinary income taxes and a 10% premature distribution penalty.
- **Rollover dollars:** May be accessed at any time unless the plan participant has an outstanding loan.
- **Premature distributions:** The plan allows for early distributions without penalty. For more information, please see IRS Publication 590-B.

Rollovers

If you determine consolidating other retirement accounts into your Solo 401(k) plan is beneficial for your needs, you may seek to rollover over eligible accounts. These do not apply to the limits discussed above.

Rollovers and transfers are permitted from:

- Traditional IRAs (Roth IRAs are not permitted).
- SEP IRAs.
- SIMPLE IRAs (after two years).
- Qualified Plans (401(k) & Profit-sharing, 403(b) and 457).
- Designated Roth contributions from a 401(k), 403(b) and 457.

2. When calculating the amount an employer can contribute as a self-employed person under a qualified plan, he or she must deduct from his or her earned income all contributions made for the year for all plans he or she may have. This has the effect of reducing the percentage limit for the employer's own deductible contributions to the plan to 20% of net profits. This is calculated after the self-employment tax deduction is taken but before the contribution is made on his or her behalf.
3. Before seeking a distribution, speak with your financial or tax professional about your unique situation as additional taxes or penalties may apply depending on your age or how long you've held the Roth 401(k) account.

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Roth 401(k) and tax free earnings

Eligible requirements for tax-free distributions from a Roth 401(k):

- **Held the account for at least five years from the first contribution date and,**
- **Experienced a triggering event: age 59½, disability or death.**

If the Roth 401(k) feature is selected, it lets you fund your retirement account with money that's already been taxed, and withdraw contributed amounts and applicable investment earnings tax-free when certain requirements are met. So, instead of getting a tax break now, you get it later, when you take the money out.

How do you decide?

How you choose to save depends to a large extent on what your income tax bracket is likely to be in the future. Since there is no certainty, you might choose to balance your retirement savings by making some of your contributions pretax and some Roth 401(k). You are subject to one overall maximum annual contribution limit, whether you contribute to a traditional or Roth 401(k) account or a combination.

As shown in the hypothetical case study, if all things are equal — particularly your federal income tax bracket now and your tax bracket when you take your withdrawals — you'll end up with the same amount of money in a traditional 401(k) or Roth 401(k) account. However, if your tax rate in retirement is higher than your tax rate when you contribute to your account, the Roth 401(k) may be more advantageous. If your tax rate is lower at retirement, the traditional 401(k) will likely be the better choice.

Comparing potential tax advantages:

	Traditional 401(k) (pretax)	Roth 401(k) (after tax)
Current tax rate	32%	32%
Funds available for retirement savings	$200/month	$200/month
Funds saved after income taxes	$200/month	$136/month
Assumed average annual total return	6%	6%
Account value in 30 years	$201,124	$136,764
Same tax rate in retirement	32%	32%
Account value after income taxes	**$136,764**	**$136,764**
Higher tax rate in retirement	35%	35%
Account value after income taxes	**$130,731**	**$137,297**
Lower tax rate in retirement	24%	24%
Account value after income taxes	**$152,854**	**$136,764**

This chart assumes a fixed average annual rate of return of 6%, on a tax-deferred basis, with dividends and distributions reinvested. Withdrawals prior to age 59½ are subject to taxes and penalties. The hypothetical ending values may be subject to income tax when withdrawn. This hypothetical example is not intended to show the performance of any Invesco fund for any period of time, or fluctuation in principal value or investment returns. Periodic investment plans do not guarantee profit or protect against loss in declining markets.

Weighing the pros and cons

Feature	Traditional 401(k) (pretax)	Roth 401(k) (after tax)
2024 contribution maximum[4]	$23,000	Same
Age 50+	$7,500	Same
Federal tax withheld from contributions	No	Yes
State tax withheld from contributions	No (in most states)	Yes (if state taxes apply)
Taxation of distributions	Ordinary income tax	Tax free if held five years and qualifying event occurs
Rollovers permitted?	Yes (to IRAs or other "workplace plans")	Yes to other Roth accounts (Roth 401(k), Roth 403(b), Roth IRA)
Required minimum distributions	Age 73	No (effective 1/1/2024)

4. You may choose to make both traditional and Roth contributions. However, the combined total cannot exceed the maximum limits.

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Comprehensive investment options and support

Plan establishment deadline
Required plan documents must be completed, signed, dated and, depending on the state of the adopting employer, funded by the intended plan establishment date. While Invesco does not require the completed Adoption Agreement to be returned and does not track contribution periods, the plan establishment and funding deadlines are:

Unincorporated businesses:
- Tax filing deadline plus extension for plans seeking to make tax-deductible profit-sharing and employee deferrals for the applicable tax filing year.

All other businesses:
- December 31 if making salary deferrals.
- Tax filing deadline plus extension if making tax-deductible profit-sharing for the applicable tax filing year.

Administration
No compliance testing and no Form 5500 for plans that:

- Include only you and your spouse.
- Have assets under $250,000 across all qualified plans.
- Are not part of a controlled group.

Please contact your qualified tax professional for assistance completing IRS Form 5500. Invesco does not provide Form 5500 support.

Invesco's Retirement Plan Manager (RPM)
RPM is a fast and secure means of funding your plan and managing your retirement plan more efficiently. It provides access to plan information and multiple online resources, including payroll contributions and plan summary reporting.

Administrative costs
Expenses associated with Solo 401(k) are similar to those of other Invesco plans designed for small businesses.

- No plan installation fees.
- Annual maintenance fee per participant:[5]
  - $30 for account balances under $50,000.
  - $0 for balances at or above $50,000.
- $75 loan set-up fee (if applicable).
- Other account-related fees and fund expenses may apply.

Included in our services are basic recordkeeping services, applicable plan documents and materials and, communications on regulatory and legislative news impacting your plan. While working with a Third Party Administrator is not required, should you choose to, you may receive between $500 to $5,000 per year in tax credit for start-up costs for a period of three years.

5. The annual fee is waived across all retirement account types if the total assets held by the participant in any retirement or non-retirement accounts held directly at Invesco, excluding 529 plans, is $50,000 or greater on the date Fees are assessed. Fund expenses apply.

Comprehensive investments

Invesco is a global asset management firm with decades of experience serving the needs of retirement plan participants and sponsors, as well as their financial professionals. We offer investments across every major asset class, including US and international equity and fixed income portfolios. We also provide innovative asset allocation strategies to help investors pursue specific investment and risk management objectives. As always, we remain committed to providing the investment solutions and services you need to help you reach your retirement savings goals.

Investor services and support

Once your account has been established, you may register for online account access. To speak with an Invesco Client Services representative, call 800 959 4246, Monday through Friday, from 7 a.m. to 6 p.m. CT.

Get started

- Review this brochure to learn the benefits of saving for retirement and the features of an Invesco Solo 401(k) Plan.
- Once you have determined an Invesco Solo 401(k) is suitable for you, access the Solo 401(k) Plan Establishment Kit at invesco.com/us to get started.

All data based on 2024 tax requirements.

All investing involves risk, including risk of loss.

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns and does not assure a profit or protect against loss.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

Fixed income investments are subject to credit risk of the issuer and the effects of changing interest rates.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

Invesco does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. Federal and state tax laws are complex and constantly changing. You should always consult your own legal or tax professional for information concerning your individual situation.

The tax information presented is based on current interpretation of federal income tax law. State and local income tax laws may differ from federal income tax law.

All data provided by Invesco unless otherwise noted.

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