



**Invesco Solo 401(k)<sup>®</sup>**  
With designated Roth contributions



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## As a self-employed person, how will you pay for your living expenses when you're no longer able to work? And how much will you need?

The Invesco Solo 401(k) is a low-cost retirement plan designed for solo business owners to maximize contributions to their own retirement savings.

If these are questions you haven't asked yourself yet, here are some things you should know:

### 1. You're not alone.

Approximately 48% of workers have tried to calculate how much money they need to save so they can live comfortably in retirement.<sup>1</sup>

### 2. You may not be able to rely on Social Security.

The Social Security Administration estimates the Social Security Trust Fund will be depleted and unable to pay scheduled benefits in full on a timely basis starting in 2034.<sup>2</sup>

### 3. You may need more than you think.

Many financial professionals estimate you'll need between 70% and 80% of your current income to maintain your current standard of living in retirement.

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### Save for your retirement – and improve your tax situation

The good news is there are several retirement plans available to small business owners that can help you save for retirement. One option to consider is the Solo 401(k).

1 Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey. Most recent data available.

2 Source: SSA.gov. Most recent data available as of 2019..

# Benefits of having an Invesco Solo 401(k) for your owner-only business

- 1 Tax savings** - Profit sharing contributions and traditional salary deferrals are tax deductible, and earnings accumulate on a tax-deferred basis. Keep in mind, however, that any withdrawals made prior to 59½ may be subject to tax penalties.
- 2 Designated Roth contributions** - This feature offers tax-free earnings growth for all investors - and tax-free distributions for those 59½ or older who meet specified criteria.<sup>1</sup>
- 3 Low cost** - Costs for an Invesco Solo 401(k) are substantially lower than those of a standard 401(k).

At a glance	
<b>Who can establish</b>	Businesses with no employees other than the owners and their spouses <sup>2</sup>
<b>Flexibility of contributions</b>	All contributions are discretionary.
<b>Maximum profit sharing contribution</b>	25% of your eligible compensation; maximum considered compensation is \$285,000 <sup>3</sup> for 2020
<b>Maximum salary deferral contribution</b>	Lesser of \$19,500 (\$26,000 if 50 or older) <sup>3</sup> or 100% of compensation for 2020
<b>Maximum combined contributions (both salary deferral and profit sharing)</b>	Lesser of \$57,000 or 100% of compensation <sup>3</sup> for 2020
<b>Vesting</b>	Immediate
<b>Loans</b>	Loans are available. Generally, you may borrow up to one-half of your account balance, but no more than \$50,000.
<b>Rollover contributions</b>	Rollovers from other eligible plans are permitted.
<b>Deadline to establish</b>	Generally at the end of employer's tax year with the plan document signed and effective before contributions are made.
<b>Discrimination testing</b>	401(k) discrimination (actual deferral percentage) and top-heavy tests are not required.
<b>Government reporting</b>	Form 5500EZ generally required if assets are more than \$250,000
<b>Withdrawals</b>	Limited to the terms of the plan. In-service withdrawals are available. Minimum distributions are required for owners 72 or older. <sup>4</sup> Distributions that are not qualified Roth distributions are subject to income tax in the year withdrawn and a 10% early withdrawal penalty if withdrawn prior to 59½. <sup>1</sup>

<sup>1</sup> Withdrawals of Roth contributions and earnings are not taxed provided they are qualified distributions where the account is held for at least five years and the participant is one of the following: disabled, age 59½ or after the participant's death. A distribution that is not a qualified distribution will be partially included in gross income if there are earnings in the account. The distribution will be treated as coming pro rata from earnings and contributions (basis). The 10% tax penalty on early withdrawals may apply to the part of the distribution that is includable in gross income.

<sup>2</sup> Establishing a Solo 401(k) plan will not be a viable option if you hire full-time W-2 employees age 21 or older or part-time employees who work more than 1,000 hours per year.

<sup>3</sup> Indexed for inflation.

<sup>4</sup> Participant who reached age 70 ½ by December 31, 2019, must take required minimum distributions (RMDs) to satisfy IRS requirements. If you reached age 70½ after January 1, 2020, the age requirement changed to age 72. This information is not intended as tax advice. Investors should consult their tax advisors for detailed information. Invesco representatives are not tax advisors.

## Generous contribution limits

How does the Invesco Solo 401(k) stack up against other retirement plans? Compare the maximum contribution limits (employer plus employee) of a variety of small business plans below.

Annual contribution limits for 2020 (\$)			
Compensation (earned income for the self-employed) <sup>1</sup>	Invesco Solo 401(k) <sup>2</sup>	SIMPLE IRA <sup>2</sup>	SEP Plan <sup>2</sup>
285,000	57,000	22,050	57,000
250,000	57,000	21,000	57,000
200,000	57,000	19,500	50,000
150,000	57,000	18,000	37,500
125,000	50,750	17,250	31,250
100,000	44,500	16,500	25,000
75,000	38,250	15,750	18,750
50,000	32,000	15,000	12,500
25,000	25,750	14,250	6,250
10,000	22,000	13,800	2,500

According to the Brookings Institution, sole proprietorships represent 41% of all businesses.<sup>3</sup>

For illustrative purposes only.

**Chart Assumptions for 2020:** In a SIMPLE IRA, the maximum annual contribution a business owner can make is a \$13,500 deferral plus a 2% nonelective employer contribution based on annual compensation. In a SEP, the maximum annual contribution a business owner can make is 25% of annual compensation up to \$57,000. With a Solo 401(k), the maximum annual contribution a business owner can make is 25% of income (20% for self-employment income) plus an additional \$19,500 in deferrals. Overall limits cannot exceed the lesser of 100% of income up to \$57,000. The calculations in the above chart are based on an incorporated business making the maximum allowable tax deductible \$19,500 in deferrals. Overall limits cannot exceed the lesser of 100% of income up to \$57,000. The calculations in the above chart are based on an incorporated business making the maximum allowable tax deductible contribution and does not include catch-up contributions which are allowed in SIMPLE IRAs and Solo 401(k) plans.

1 Generally, earned income is net earnings from self-employment for purposes of the self-employment tax, reduced by plan contributions and one-half of the self-employment tax.

2 You may make additional catch-up contributions if you are 50 or older.

3 Source: Brookings Institution, 9 Facts About Pass-through Businesses, May 15, 2017. Most recent data available.

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## Frequently asked questions

### **What types of businesses are candidates for an Invesco Solo 401(k)?**

The Invesco Solo 401(k) is designed for businesses that have no employees other than owners and their spouses. It is not designed for businesses with employees due to the additional testing and administrative requirements. If you have employees or think you may hire employees in the near future, this plan may not be appropriate for you. Discuss other plan options with your advisor.

### **How is the Invesco Solo 401(k) different from traditional 401(k) plans?**

The primary difference is in the administrative and compliance requirements of the plan. A 401(k) plan sponsored by a business employing owners and their spouses only (no employees) is not subject to 401(k) discrimination testing and has fewer administrative requirements. 401(k) discrimination testing limits the percentage of compensation that can be deferred by highly compensated employees (as compared with the percentage of compensation deferred by nonhighly compensated employees). Owners may receive contribution refunds as a result of this testing.

In addition, a plan covering only one participant and his or her spouse is generally not required to file a Form 5500 until the plan's assets exceed \$250,000.

### **What happens if I establish an Invesco Solo 401(k) and then hire employees?**

If you anticipate hiring W-2 employees, this plan may not be appropriate for you. If the plan covers eligible employees, it will be subject to 401(k) discrimination testing, which may require refunds of all or a portion of your deferrals. You may have to make top-heavy minimum contributions, and you and your employee(s) will receive the same profit sharing contribution percentage. Review your plan provisions with your tax advisor before hiring employees.

### **When can I begin contributing to the plan?**

You may begin making contributions once the plan is established. The Plan Adoption Agreement must be signed by the end of your business tax year. Generally, contributions must be made by your business tax-filing due date, including extensions. Only compensation earned after the plan is adopted may be deferred. Consult your tax advisor before making annual contributions to ensure you meet the deductibility requirements.

### **Can I make designated Roth contributions to my Invesco Solo 401(k)?**

Yes, if your Plan Document allows for it. If adding this feature to an existing plan, you must amend your Plan Document.

### **My spouse and I own a business. Can we both participate in the plan?**

If both you and your spouse are employed by and receive compensation from the business, you are both eligible to participate in the plan.

### **Can I take a loan from my Invesco Solo 401(k)?**

Yes, if your Plan Document allows for it. Generally, you may borrow up to one-half of your account balance, but no more than \$50,000. The terms of the loan are subject to IRS regulations.

### **Are there any fees associated with an Invesco Solo 401(k)?**

Yes:

- An annual administrative fee of \$30 per participant account. 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.
- Loan: \$75 application fee.



**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](https://www.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.

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