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E*TRADE Advisor Services' Solo K Plan . . .

Is a qualified profit-sharing plan designed specifically for small business owners with many of the same features as a traditional 401(k) plan. E*TRADE Advisor Services' Solo K Plan has been designed to allow owners of small businesses without employees to take advantage of increased tax savings for retirement while providing investment options offered through a designated investment advisor. Think of the Solo K Plan as a 401(k) Plan with limited compliance testing and government reporting.

The chart below summarizes the basic rules for Solo K plans. Please consult with your tax advisor in determining whether a Solo K plan may be right for you and your business.

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| Who can establish? | Solo K Plans are designed for businesses with no employees other than the owners and their spouses. If your business will have employees in the near future, a Solo K Plan may not be right for you. |
| When to establish? | To be effective for any year, the Solo K Plan must be signed by the last day of the employer's tax year, often December 31. |
| General Rules | Except for Compliance Testing and Government Reporting, a Solo K Plan operates like any other 401(k) plan. It's subject to the same qualification requirements, distribution requirements, and prohibited transaction rules. An employer who establishes a Solo K Plan must have an EIN. |
| General Contribution Rules | Like any qualified profit-sharing plan, employer contributions to a Solo K Plan must be "substantial and recurring". |
| Types of Contributions | E*TRADE Advisor Services' Solo K plan allows 5 types of contributions: discretionary profit sharing contributions, Roth contributions, salary deferral contributions, catch-up contributions, and rollover contributions. |
| Contribution Limits | See attached chart for more information on contribution limits. |
| Vesting | All Solo K contributions are 100% vested immediately. |
| Loans | Participant loans are available in accordance with IRS rules and the plan loan policy. Generally, a participant may borrow up to the lesser of \$50,000 or half his/her account balance. Failure to repay a loan in accordance with its terms may disqualify the Solo K Plan. |

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| Withdrawals | The Solo K Plan document governs when withdrawals are made from the plan. Minimum distributions at age 70-1/2 are required. Distributions (other than qualified Roth distributions) will be subject to income tax and may be subject to penalty tax if withdrawn prior to age 59-1/2. |
| Trustee | The business owner will be the Solo K plan trustee. |
| Compliance Testing | IRS compliance tests, including 401(k) discrimination and top-heavy testing, are not required. |
| Government Reporting | An annual Form 5500 is required only if total assets for all Solo K plan participants exceed \$250,000. A final Form 5500 is required when all Solo K plan assets are distributed. |
| Investments | A Solo K plan typically includes a menu of investment choices chosen by the employer, often with the assistance of an investment advisor. |

401(k) Plans
Tax Topic 424 401(k) plans
IRS Publication 560

[www.irs.gov/Retirement-Plans/401\(k\)-Plans](http://www.irs.gov/Retirement-Plans/401(k)-Plans)
www.irs.gov/taxtopics/tc424.html
www.irs.gov/pub/irs-pdf/p560.pdf

SOLO K CONTRIBUTION LIMITS – 2019

| Contribution Type | 2019 Limits |
|--|---|
| Maximum discretionary profit sharing contribution | 25% of eligible compensation earnings (earnings up to \$280,000 for 2019) |
| Maximum salary deferral and Roth 401(k) contribution | Lessor of \$19,000 or 100% of compensation after plan establishment |
| Maximum combined profit sharing and salary deferral/Roth contributions | Lessor of \$56,000 or 100% of compensation |
| Maximum catch-up contribution | Up to \$6,000 if you are age 50 or older |
| Rollover contribution | Amount distributed from another eligible retirement plan |