



Individual 401(k) Plan Responsibilities



EQUITY
INSTITUTIONAL SERVICES™

Individual 401(k) Plan

QUALIFICATION FOR A 401(K)

To qualify for an Individual 401(k) plan, you must be self-employed, your company must receive W-2 wages (without common law employees), you must be 21 years of age or older, and you must have worked for the company for at least one year. Spouses and other owners may also be eligible (business partners, for example).

BENEFITS OF A 401(K) PLAN VS. AN IRA

Loan Capabilities

Participants can borrow up to 50% of the account balance up to a maximum of \$50,000.

Checkbook Control

As the Trustee of your plan, you can have checkbook control of your funds so that you have money when you need it.

High Limit Contributions & Accelerated Contributions

Contribute up to ten times more annually than you can to an IRA and reduce your taxable income.

Exemption from UBIT/UDFI Taxes

Because 401(k) plans involve only the individual and possibly the spouse, they are not subject to UBIT and UDFI taxes.

LET'S GET STARTED

Once you get past the initial hurdle of qualifying for an Individual 401(k), an important next step in the process is breaking down the responsibilities within the plan. In reviewing the responsibilities, you will better understand the roles that you (the client and likely Trustee) and Equity play in your plan.

We've detailed the requirements for both the Trustee and Equity for every step in the process. These steps include everything from opening the account, purchasing the asset(s), ongoing tax reporting, and account maintenance.

As you go through this document, please note any questions that you have about your plan needs and responsibilities in particular. We are here to help you get the most out of your plan and take advantage of the flexibility that only a Equity Individual 401(k) can provide.

401(k) Responsibilities

Trustee	Set up a bank account for the plan.	Fund the plan via rollover or contribution	Set up the plan by 12/31.	Maintain eligibility.	Keep records of contributions for tax reporting.
Equity	Obtain an EIN for the plan.	Report any distributions taken from the plan.	File 5500-EZ on behalf of the plan.	Comply with IRS requirements & ERISA.	Provide plan amendments to the participant.



Individual 401(k) Plan: Trustee Responsibilities



SET UP A BANK ACCOUNT FOR THE PLAN

The trustee is responsible for setting up the bank account for the plan. However, should you need guidance on which bank can help set up an account, Equity is here to help. The most important thing to remember is that the bank account must be set up in the name and tax ID of your 401(k) plan, not the sponsoring business.

There are a handful of banks that our clients have worked with to set up 401(k) bank accounts that specialize in making the process easy and efficient. While some banks take 2 - 3 business days to open an account, it can take as many as 10 business days, so plan accordingly.



FUND THE PLAN VIA ROLLOVER CONTRIBUTION

Rollover

You will work with your current plan administrator to rollover funds from your current plan to Equity. It is standard that your current plan administrator has their own paperwork for you to complete in order to initiate this process.

Contribution

In addition, you may also make an annual contribution to your plan using your myEQUITY account. In order to determine the starting figure for calculating your 401(k) contribution, you will need to look at your business entity type. The starting figure for calculating your eligible contribution can be found in the following locations:

- **Sole Proprietor:** Line 31 of Schedule C
- **C-Corporation:** W-2 Income
- **S-Corporation:** W-2 Income
- **Partnership:** Schedule K of Form 1065, Line 14



SET UP THE PLAN BY 12/31

In order to make employer contributions for the current tax year, the plan must be established by the last calendar day of the tax year. The employer match can be made until the tax filing deadline (plus any applicable extensions).



MAINTAIN ELIGIBILITY

As your business grows, so will the questions you have about your plan. Equity is here to answer any questions you may have regarding your plan: "Can I hire part-time employees?" "How many hours can they work?" "How can I be sure I continue to be eligible?" Each situation is unique and we are here to help answer technical questions as it relates to your plan.



KEEP RECORD OF CONTRIBUTIONS FOR TAX REPORTING

Be sure to keep track of the annual contributions you make to your plan, both employee deferrals as well as profit sharing matches for each year. You will need this information for your taxes, as well as for record-keeping purposes.

Individual 401(k) Plan: Equity Responsibilities



OBTAIN AN EIN FOR THE PLAN

Equity will work with the IRS and obtain a tax ID for your plan. We will provide you with a confirmation within 24 hours of account opening. While Equity will keep this on file and it will be available in your client portal, clients also need to keep this document for their own records.



REPORT ANY DISTRIBUTIONS TAKEN FROM THE PLAN

Every January, Equity will report any distributions taken from the plan for the previous year on Form 1099-R. This document will be uploaded to your myEQUITY account. You will use this tax form when filing your taxes with the IRS. Distributions taken from your plan are taxed as ordinary income (unless the funds are Roth). This means whatever amount you take as a distribution will be added to your ordinary income for the year. Be sure to talk with your accountant or research the taxation thresholds because, without careful planning, you may fall into a higher tax bracket because of the additional “income” from the distribution.



FILE 5500-EZ ON BEHALF OF THE PLAN

All plans with an aggregate balance over \$250,000 are required to file IRS Form 5500-EZ annually. If the plan trustee opts to utilize this service, Equity will file this return on your behalf. If your plan balance at Equity is over the threshold, we will notify you annually in February and, at that point, you may authorize us to file Form 5500-EZ on your behalf for a fee of \$275.

The \$250,000 balance is determined by calculating the value of all of the plan’s assets for all participants to see if the cumulative balance is over \$250,000. If you participate in multiple 401(k) plans, plan assets must be aggregated to see if the threshold has been met. For purposes of calculating the plan’s value, 401(k) plan loans are treated as an asset and must be included in the calculation.

Form 5500-EZ Department of the Treasury Internal Revenue Service	Annual Return of A One-Participant (Owners/Partners and Their Spouses) Retirement Plan or A Foreign Plan This form is required to be filed under section 6058(a) of the Internal Revenue Code. <i>Certain foreign retirement plans are also required to file this form (see instructions).</i> <input checked="" type="checkbox"/> Complete all entries in accordance with the instructions to the Form 5500-EZ. <input checked="" type="checkbox"/> Go to www.irs.gov/Form5500EZ for instructions and the latest information.	OMB No. 1545-0956 <div style="font-size: 2em; font-weight: bold;">2019</div> This Form is Open to Public Inspection.
Part I Annual Return Identification Information For the calendar plan year 2019 or fiscal plan year beginning (MM/DD/YYYY) and ending		
A This return is: (1) <input type="checkbox"/> the first return filed for the plan; (3) <input type="checkbox"/> the final return filed for the plan; (2) <input type="checkbox"/> an amended return; (4) <input type="checkbox"/> a short plan year return (less than 12 months).		
B If filing under an extension of time, check this box (see instructions). <input checked="" type="checkbox"/> <input type="checkbox"/>		
C If this return is for a foreign plan, check this box (see instructions) <input checked="" type="checkbox"/> <input type="checkbox"/>		
D If this return is for the IRS Late Filer Penalty Relief Program, check this box (see instructions) <input checked="" type="checkbox"/> <input type="checkbox"/>		
Part II Basic Plan Information — enter all requested information.		
1a Name of plan 2a Employer’s name Trade name of business (if different from name of employer) In care of name	1b Three-digit plan number (PN) <input checked="" type="checkbox"/> 1c Date plan first became effective (MM/DD/YYYY) 2b Employer Identification Number (EIN) (Do not enter your Social Security Number.) 2c Employer’s telephone number 2d Business code (see instructions)	



COMPLY WITH IRS REQUIREMENTS & ERISA

As 401(k) plan laws are updated, Equity will keep you informed of any updates that you need so you are always informed regarding your plan. Equity's 401(k) is an IRS approved Qualified Retirement Plan. This means the IRS has reviewed it and declared it in compliance with current ERISA regulations. Plan updates are not simply updated and then done. The process is ever-evolving as Congress drafts new legislation that impacts retirement plans. Because of these amendments, a compliant plan last year may not necessarily be compliant this year. As such, every time Congress amends the ERISA laws, you must amend your plan to keep it current, and Equity has you covered.

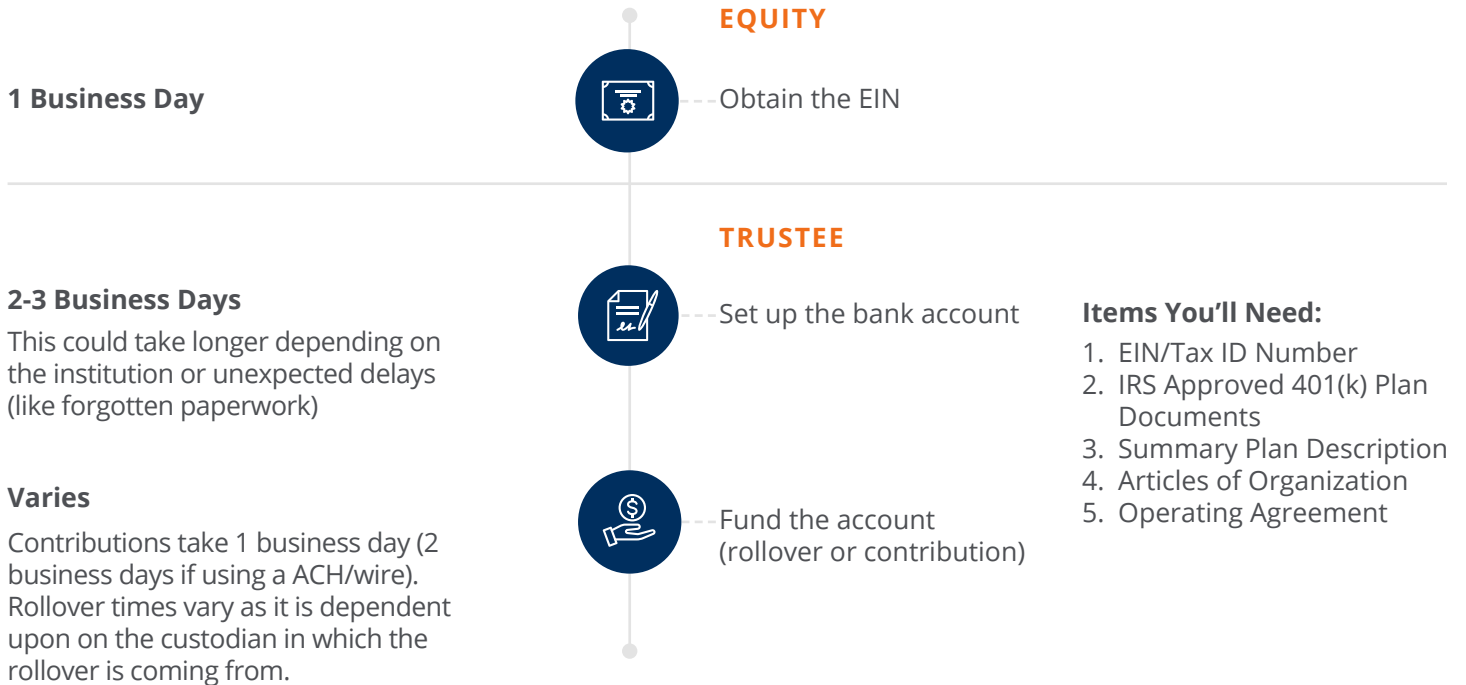
Additionally, every five years or so, Congress goes beyond requiring amendments and, instead, requires a restatement of the entire plan. When this happens, Equity will send you a restated version of the plan for your records and explain the changes in plain speak (no legalese), so you can easily understand the impacts of these changes.



PROVIDE PLAN AMENDMENTS TO THE PARTICIPANT

When amendments mentioned in the responsibility above are made, Equity will provide advance notice so that you are aware of any pending changes that may impact your plan.

Timeline



Questions? We're here to help!

Reach out to a member of our team at (866) 839-0429.

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