



**INDIVIDUAL
401(K) PLAN
RESPONSIBILITIES**



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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 Midland play in your plan.

We've detailed the requirements for both the Trustee and Midland 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 Midland Individual 401(k) can provide.



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INDIVIDUAL 401(K) PLAN

401(K) PLAN RESPONSIBILITIES

MIDLAND

TRUSTEE

OBTAIN AN EIN FOR THE PLAN



SET UP A BANK ACCOUNT FOR THE PLAN

REPORT ANY DISTRIBUTIONS TAKEN FROM THE PLAN



FUND THE PLAN VIA ROLLOVER OR CONTRIBUTION

FILE 5500-EZ ON BEHALF OF THE PLAN



SET UP THE PLAN BY 12/31

COMPLY WITH IRS REQUIREMENTS & ERISA



MAINTAIN ELIGIBILITY

PROVIDE PLAN AMENDMENTS TO THE PARTICIPANT



KEEP RECORDS OF CONTRIBUTIONS FOR TAX REPORTING



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Trustee Responsibilities

Individual 401(k) Plan

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, Midland 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 OR CONTRIBUTION

Rollover

You will work with your current plan administrator to rollover funds from your current plan to Midland. 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 Midland360 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





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Trustee Responsibilities

Individual 401(k) Plan



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. Midland 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.



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Midland Responsibilities

Individual 401(k) Plan

OBTAIN AN EIN FOR THE PLAN

Midland 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 Midland 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, Midland will report any distributions taken from the plan for the previous year on Form 1099-R. This document will be uploaded to your Midland360 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.





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Midland Responsibilities

Individual 401(k) Plan

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, Midland will file this return on your behalf. If your plan balance at Midland 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	Annual Return of A One-Participant (Owners/Partners and Their Spouses) Retirement Plan or A Foreign Plan	OMB No. 1545-0956
Department of the Treasury Internal Revenue Service	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> ▶ Complete all entries in accordance with the instructions to the Form 5500-EZ. ▶ Go to www.irs.gov/Form5500EZ for instructions and the latest information.	2019 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 type="checkbox"/>		
C If this return is for a foreign plan, check this box (see instructions) ▶ <input type="checkbox"/>		
D If this return is for the IRS Late Filer Penalty Relief Program, check this box (see instructions) ▶ <input type="checkbox"/>		
Part II Basic Plan Information — enter all requested information.		
1a Name of plan	1b Three-digit plan number (PN) ▶	
	1c Date plan first became effective (MM/DD/YYYY)	
2a Employer's name	2b Employer Identification Number (EIN) (Do not enter your Social Security Number.)	
Trade name of business (if different from name of employer)	2c Employer's telephone number	
In care of name	2d Business code (see instructions)	



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Midland Responsibilities

Individual 401(k) Plan

COMPLY WITH IRS REQUIREMENTS & ERISA

As 401(k) plan laws are updated, Midland will keep you informed of any updates that you need so you are always informed regarding your plan. Midland'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 Midland 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, Midland 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, Midland will provide advance notice so that you are aware of any pending changes that may impact your plan.





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Timeline

Individual 401(k) Plan

1 Business Day



OBTAIN THE EIN

2 - 3 Business Days

This could take longer depending on the institution or unexpected delays (like forgotten paperwork)



SET UP THE BANK ACCOUNT

Item's You'll Need:

1. EIN/Tax ID Number
2. IRS Approved 401(k) Plan Documents
3. Summary Plan Description
4. Articles of Organization
5. Operating Agreement

Varies

Contributions take 1 business day (2 business days if using a ACH/wire). Rollover times vary as it is dependent upon on the custodian in which the rollover is coming from.



FUND THE ACCOUNT
ROLLOVER or CONTRIBUTION