

Individual 401(k) Plans

A unique retirement savings opportunity for the one person business

Looking for a way to maximize your retirement savings contributions? Explore the benefits of an Individual 401(k) plan, a profit sharing plan with a 401(k) feature, and potentially increase your contribution to more than 25% of compensation annually.

Is an Individual 401(k) plan right for you?

An Individual 401(k) is primarily designed for corporations, partnerships, and sole proprietorships that employ only owners and their spouses. If you have part-time employees or employees who have not yet met eligibility, you are not a candidate for an Individual 401(k). However, you may be eligible for a Traditional 401(k) that does not require you to include these employees. An Individual 401(k) allows a “single employee” business to take advantage of the contribution limits and plan features of a corporate 401(k) plan. Employers have flexibility in making contributions, since the employer contributions can be discretionary. This permits employers in years that are not profitable to reduce or even eliminate the contributions. Contributions are potentially tax deductible; except Roth 401(k) deferrals which are subject to income taxes. Earnings within the account grow tax deferred until distributions are made from the plan.

For example:

Do you have an existing SEP IRA and are currently earning less than \$200,000?

Do you have an existing SEP IRA and are over 50 years of age?

If so, you may want to learn how an individual 401(k) may be better suited to your needs.

An Individual 401(k), like all other business-sponsored retirement plans, does require a written plan document to be in place. Plan Sponsors will need to seek an outside party, such as a Third Party Administrator, who can provide the required plan document.

Plan benefits

Flexibility. All contributions are discretionary.

Loans. Loans may be permitted.

Investment account. Wells Fargo Advisors offers you the ability to invest in a variety of stocks, bonds, and mutual funds with choices for investors at all risk-tolerance levels.

Low cost. Individual 401(k) plan costs can be substantially less than those of traditional 401(k) plans due to reduced administrative requirements.

2023 contribution limits

- The maximum salary deferral contribution is the lesser of 100% of compensation or \$22,500.*
- A profit sharing contribution cannot exceed 25% of compensation if incorporated or approximately 20% if unincorporated. (Calculation should be performed by your tax advisor for exact contribution allowed.)
Please note: Compensation used in calculating contributions is capped at \$330,000.*
- Combined salary deferral and profit sharing contributions cannot exceed the lesser of 100% of compensation or \$66,000.*
- Participants aged 50 or older can make an additional \$7,500* catch-up contribution, which provides the potential to contribute a total of \$73,500.*

* Subject to cost-of-living adjustments.

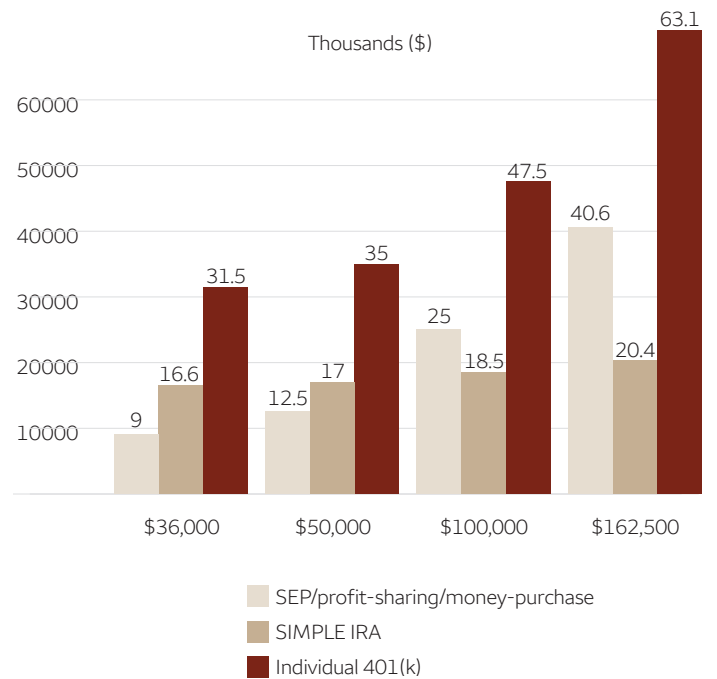
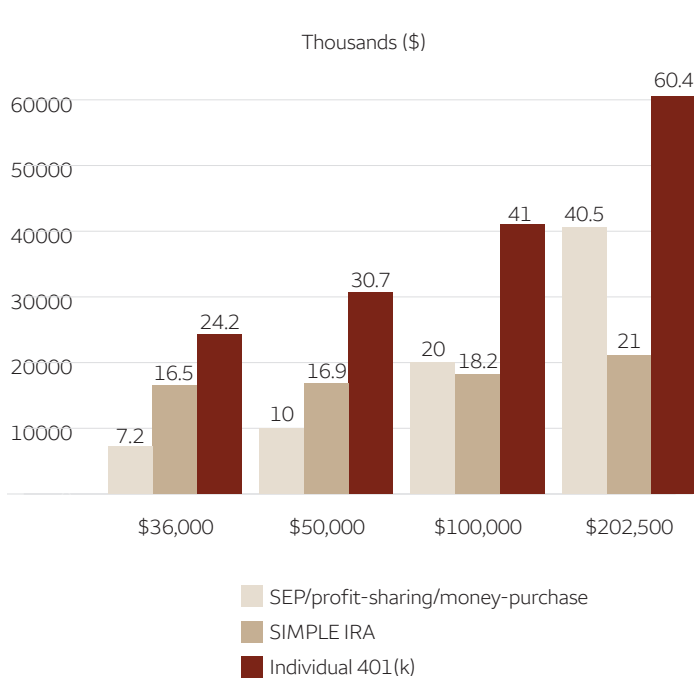
Contribution limit comparison for popular retirement plan options

2023 maximum deductible contributions for unincorporated businesses*

| | | | | |
|-------------------------------------|----------|----------|-----------|-----------|
| Self-employment income [†] | \$36,000 | \$50,000 | \$100,000 | \$202,500 |
| SEP/profit-sharing/money-purchase | \$7,200 | \$10,000 | \$20,000 | \$40,500 |
| SIMPLE IRA | | | | |
| • Under age 50 | \$16,474 | \$16,853 | \$18,207 | \$21,030 |
| • Age 50 and older | \$19,974 | \$20,353 | \$21,707 | \$24,530 |
| Individual 401(k) [‡] | | | | |
| • Under age 50 | \$24,228 | \$30,734 | \$41,087 | \$60,471 |
| • Age 50 and older | \$31,728 | \$38,234 | \$48,587 | \$67,971 |

2023 maximum deductible contributions for incorporated businesses*

| | | | | |
|-----------------------------------|----------|----------|-----------|-----------|
| W-2 income | \$36,000 | \$50,000 | \$100,000 | \$162,500 |
| SEP/profit-sharing/money-purchase | \$9,000 | \$12,500 | \$25,000 | \$40,625 |
| SIMPLE IRA | | | | |
| • Under age 50 | \$16,580 | \$17,000 | \$18,500 | \$20,375 |
| • Age 50 and older | \$20,080 | \$20,500 | \$22,000 | \$23,875 |
| Individual 401(k) [‡] | | | | |
| • Under age 50 | \$31,500 | \$35,000 | \$47,500 | \$63,125 |
| • Age 50 and older | \$36,000 | \$42,500 | \$55,000 | \$70,625 |



* Chart assumes participant younger than age 50.

[†] Net business profit minus one-half of self-employment tax.

[‡] The employer contribution limit is 25% (20% for unincorporated) of compensation.

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