Appendix 1
Summary of Retirement Plan Options for Sole Proprietorships

Issues	SEP	Defined Contribution: Profit Sharing	Defined Contribution: Solo 401(k)	Defined Benefit Plan
Establishing the Plan	Plan can be set up by completing IRS Form 5305-SEP and making certain disclosures to the employees. Contributions are made to the employee's IRA.	Prototype plans are often available from investment providers. Contributions are made to the plan trust for which the employer is a fiduciary. Advice from a financial institution or employee benefit advisor is necessary.	There is no IRS model form to establish a plan. Contributions are made to the plan trust for which the employer is a fiduciary. Advice from a financial institution or employee benefit advisor is necessary.	There is no IRS model form to establish a plan. Contributions are made to the plan trust for which the employer is a fiduciary. Advice from a financial institution or employee benefit advisor is necessary. Actuary must determine funding obligations.
Form 5500-EZ or 5500-SF Required?	Generally, no.	Yes (1) if plan assets exceed $250,000 at the end of the plan year and (2) for the plan's final year.	Yes (1) if plan assets exceed $250,000 at the end of the plan year and (2) for the plan's final year.	Yes, including actuarial signed schedule.
Annual Employer Contribution Required?	No. Discretionary, unless set forth in plan.	No. Discretionary, unless set forth in plan.	No. Discretionary, unless set forth in plan.	Yes, unless plan is overfunded.
Maximum Annual Contribution per Participant for 2018	*Employer Contribution:* Lesser of (1) 20% of owner's earned income[a] or (2) $55,000.	*Employer Contribution:* Lesser of (1) 20% of owner's earned income[a] or (2) $55,000.	*Elective Deferral:* Lesser of 100% of (1) earned income less the SE tax deduction or (2) $18,500 ($24,500 if age 50 or older)[b]. *Employer Contribution:* 20% of owner's earned income[a] *Employer/Elective Deferral Combined*: Lesser of (1) 100% of earned income less the SE tax deduction or (2) $55,000 ($61,000 to the extent the age 50 or older catch-up deferral is made).	*Employer Contribution:* Set by plan terms. Can be large enough to provide up to $220,000 annual retirement income.
Minimum Employee Coverage Requirements	Must be offered to all employees who are at least 21 years of age, employed by the business for 3 of last 5 years, and who earn at least $600 with the employer during 2018.	Generally, must be offered to all employees at least 21 years of age who have completed at least two years of service.	Generally, must be offered to all employees at least 21 years of age who have completed at least two years of service (one year of service for employee elective deferrals).	Generally, must be offered to all employees at least 21 years of age who have completed at least two years of service.
Withdrawals, Loans, and Payments	Withdrawals at any time; subject to federal income taxes and 10% penalty if the participant is under age 59½. Loans not permitted.	May permit loans and hardship withdrawals. Withdrawals subject to federal income tax and may be subject to a 10% penalty if participant is under age 59½.	Cannot withdraw employee contributions until a specified event, such as reaching 59½, death, separation from service. May permit loans and hardship withdrawals. Withdrawals subject to federal income tax and may be subject to a 10% penalty if participant is under age 59½.	Payment of benefits generally at retirement. In-service withdrawals are not permitted. May permit loans.
When Plan Must Be Adopted for 2018 Contributions to Be Allowed	By the due date (including extensions) of the employer's 2018 income tax return.	By 12/31/18.	By 12/31/18.[c]	By 12/31/18.

Issues	SEP	Defined Contribution		Defined Benefit Plan
		Profit Sharing	Solo 401(k)	
When Employer Contributions for 2018 Must Be Made	By the due date (including extensions) of the owner's 2018 Form 1040.	By the due date (including extensions) of the owner's 2018 Form 1040.	By the due date (including extensions) of the owner's 2018 Form 1040.	Generally, the earlier of (1) the due date (including extensions) of the owner's 2018 Form 1040 or (2) 8½ months after the end of the plan year.
When Owner's 2018 Elective Deferral Must Be Deposited	N/A.	N/A.	The earliest date they can be segregated from the business's general assets, but no later than 15 business days after the month in which the sole proprietor would have received the amounts had the election not been made.[d]	N/A.

Notes:

[a] The *owner's earned income* equals Schedule C (or F) net income reduced by the deductible plan contribution and the deduction for 50% of the Self Employment (SE) tax liability [IRC Sec. 401(c)(2)].

[b] The elective deferral limit applies globally to all 401(k), 403(b), and SIMPLE IRA plans in which an individual participates [IRC Sec. 402(g)(3)].

[c] The owner's deferral election must also be made by 12/31/18 because self-employment income is deemed to be earned on that date [Reg. 1.401(k)-1(a)(6)(iii)].

[d] This allows for a reasonable period of time for the owner's accounting to be completed to make a final determination of earned income. Although not entirely clear, some practitioners hold that, based on this rule, the contribution due date is the due date, including extensions, of the self-employed person's tax return since final income cannot be known until that time.