



# SOLO(CB)





# A Cash Balance Plan for the Self-Employed



## WHAT IS A SOLO(CB)?

A Solo(cb) plan (a one-participant cash balance plan) is a cash balance defined benefit plan created specifically for self-employed individuals. Because a Solo(cb) is a pension plan, it affords the opportunity to take advantage of retirement and tax limits which may not be accessible in another retirement plan.

A Solo(cb) plan is frequently called a hybrid plan because in many ways it resembles a 401(k) plan. In a Solo(cb) plan, your “account balance” (your plan benefit) grows from two sources: a pay credit and an annual interest credit. Both the pay credit and interest credit are specified (or “defined”) in the plan document and are subject to IRS guidance. Interest credit is guaranteed and independent of the plan’s investment performance. When it’s time to distribute the funds out of the plan, your cash balance plan “account balance” may be moved to another tax-advantaged account to defer taxation until distributions are needed.<sup>1</sup>

If you have substantial recurring surplus income from self-employment and any of the below statements apply to you, then you may be a candidate for a Cetera® Retirement Plan Specialists Solo(cb):

- » I am an owner of an unincorporated business that employs only me or me and my spouse
- » I am a partner in a partnership that employs only partners or partners and their spouses
- » I am a sole owner of a corporation (or an LLC taxed as a corporation) that employs only me or me and my spouse
- » One of the statements above is true and my business has part-time employees, but none of them have ever worked 1,000 hours in a 12-month period starting with their date of employment

<sup>1</sup> Income tax and an early withdrawal penalty may apply if you are under age 59½ at the time of distribution.

## YOU MAY WISH TO CONSIDER A SOLO(CB) IF...

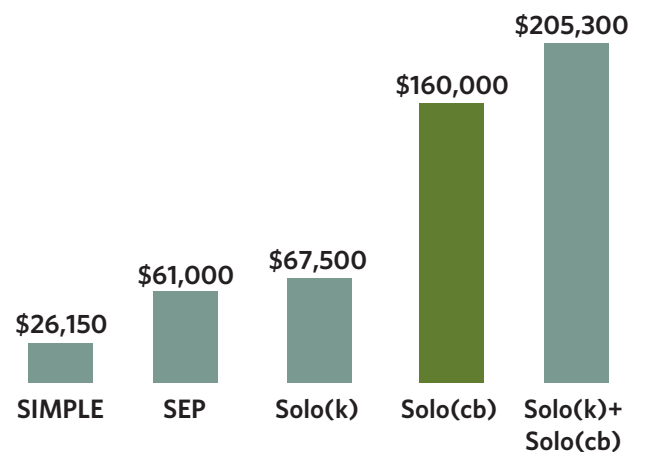
- » You are able to contribute a significant amount of earnings from self-employment for a period of three years or longer
- » You already maximize your retirement plan contributions and are looking for opportunities to increase deductible contributions above the limits of a defined contribution plan
- » You are looking for ways to accelerate your retirement savings
- » You are looking to establish a retirement plan but plan options outside of a Solo(cb) do not meet your contribution goals
- » You delayed saving for retirement and need to catch up by making higher contributions than those supported by other retirement plans
- » In addition to your W-2 wages from full-time employment, you have self-employment income which you would like to invest on a pre-tax basis for retirement
- » Up until now you invested heavily in your business; now you have surplus self-employment income which you would like to use to bridge the retirement savings gap
- » Your investment strategy to date consisted primarily of illiquid investments and you are looking to quickly diversify your retirement savings with contributions to a retirement plan account
- » You are looking to transition ownership of your business on a tax-advantaged basis

## HOW DOES SOLO(CB) COMPARE TO OTHER OPTIONS?

This chart illustrates Solo(cb) contribution opportunity in comparison to other retirement plans. Here you see what a 50-year-old self-employed individual can accomplish using this strategy.<sup>2</sup>

Contributions to a Solo(cb) are largely driven by age and compensation; the closer you are to retirement and the higher your income, the larger your cash balance plan funding. This is because a younger person has more years to accumulate the maximum cash balance benefit than an older individual.

### ANNUAL CONTRIBUTION OPPORTUNITY



<sup>2</sup> Individual results will vary based on plan design, census data, earnings history, actuarial calculations, and governing regulations. Because Solo(cb) is a type of a defined benefit plan, minimum funding rules apply. Failure to meet minimum funding requirements leads to excise tax until funding requirements are met. The figures quoted are statutory maximums based on plan compensation in excess of \$305,000; lower compensation will result in lower contributions. IRS regulations limit the combined contribution amount. Please consult with your legal or tax adviser for additional information.

# HOW TO START: FOUR EASY STEPS



## STEP 1: ADOPT THE PLAN

Complete the Plan Setup Authorization and send it to Cetera Retirement Plan Specialists. Cetera Retirement Plan Specialists will prepare the plan documents and deliver them to you electronically. Sign the documents and keep them in your files. You have to establish the plan by the end of your company's tax year, usually December 31.

NOTE: Effective January 1, 2020, SECURE ACT provides an extended deadline to start a new plan. An employer is allowed to adopt a new plan for a tax year as long as the plan is adopted by the due date for the employer's tax return for that year (including extensions).



## STEP 3: GET THE NUMBERS

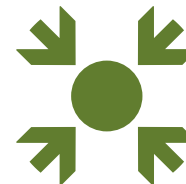
Your plan's actuary will determine the amount of plan funding based on your age, compensation, plan document, actuarial assumptions, and IRS regulations.

Because Solo(cb) is a type of a defined benefit plan, you should never fund it until you have contribution numbers certified by the plan's actuary.



## STEP 2: ESTABLISH PLAN ACCOUNT

Open a cash balance plan account. Even when a plan covers several participants (owner and spouse, or partners in a partnership and their spouses), all contributions are pooled in one account because Solo(cb) is a type of a defined benefit plan.

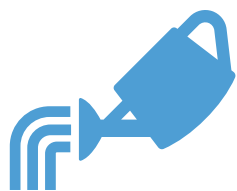


## STEP 4: FUND THE PLAN

Once contributions have been determined and approved by the plan's actuary, funds may be deposited into the cash balance plan account.

Contributions must be made by your business' tax-filing deadline, including extensions.

# HOW TO MAINTAIN THE PLAN



At the end of every year, we will request your self-employed earnings information. This will allow your plan's actuary to determine the amount of plan funding based on your plan document, actuarial assumptions, and Internal Revenue Service (IRS) regulations. You should never fund the plan until you have contribution numbers certified by the plan's actuary.

1. Communicate your self-employed earnings information.
2. Receive your actuary-certified cash balance plan contribution and fund the plan.
3. File your Solo(cb) plan's Form 5500 and Actuarial Certification with the IRS. We prepare all the forms, you sign them using our electronic signature process, and we file your plan return with the IRS.

While the IRS periodically requires that changes be made to plan documents, we do our best to streamline the paperwork. When the time comes for one of these changes, we will prepare a plan amendment and send it to you for your review and signature.<sup>3</sup>

<sup>3</sup> Refer to the fee schedule for pricing details. Cetera Retirement Plan Specialists is a third-party administrator and may not offer tax, legal and investment advice. Plan sponsors should consult their tax, legal and investment professionals.

# PLAN SETUP AUTHORIZATION

Complete Online

To start the plan installation process, follow these steps:

## Step 1. Complete the information below:

Financial Professional's Name: \_\_\_\_\_ Financial Professional's Email: \_\_\_\_\_

Broker-Dealer: \_\_\_\_\_

Business Name: \_\_\_\_\_ Plan Start Year: \_\_\_\_\_

Business Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Business Tax ID Number (if you are a sole proprietor and your business does not have a separate Employer Identification Number - EIN - [Click Here](#)): \_\_\_\_\_

Principal Activity of Your Business: \_\_\_\_\_

**Business Type:** ☐ C-Corp ☐ S-Corp ☐ LLC, Taxed as a Sole Proprietor ☐ LLC, Taxed as a \_\_\_\_\_ Corp  
☐ LLC, Taxed as a Partnership ☐ Partnership ☐ Sole Proprietor ☐ LLP ☐ Other \_\_\_\_\_

### Owners:

Name: \_\_\_\_\_ Percentage: \_\_\_\_\_

Name: \_\_\_\_\_ Percentage: \_\_\_\_\_

If your business employs family members, indicate their names and relationship to you:

Name: \_\_\_\_\_ Relationship: \_\_\_\_\_

Name: \_\_\_\_\_ Relationship: \_\_\_\_\_

☐ I would like to add a Solo(k) to this Solo(cb) plan. I understand that additional installation and annual administration fees will apply.

Select Yes or No for each of the questions below:	Yes	No
Do you or your family members own any other businesses, either wholly or in part?	<input type="checkbox"/>	<input type="checkbox"/>
If, yes, elaborate: _____		
Do you maintain another retirement plan?	<input type="checkbox"/>	<input type="checkbox"/>
If, yes, elaborate: _____		
Have you ever funded a defined benefit or cash balance plan?	<input type="checkbox"/>	<input type="checkbox"/>
If, yes, elaborate: _____		
Does the business have any employees other than owner(s) and spouse(s)?	<input type="checkbox"/>	<input type="checkbox"/>
If, yes, elaborate: _____		

**Authorize plan installation and billing. Installation fee of \$2,000 will be invoiced to you for payment upon receipt of this form.**

Enter billing address if different from the mailing address above: \_\_\_\_\_

### Payments made from your business account may be tax deductible.

By submitting this authorization, I authorize Cetera Retirement Plan Specialists to invoice \$2,000 plan implementation fee to the business listed above. I acknowledge that the accuracy of the information provided by me will impact the calculation of compensation used for determination of deductible employer contribution and plan funding. I understand that because the Solo(cb) plan is a type of a defined benefit plan, annual minimum funding requirements apply, failure to meet minimum funding requirement leads to excise tax, and that the plan may be funded only after the plan's actuary has the determined applicable contribution amount for the year in question. Further, I hereby certify that the above information is complete and accurate.

Name and Title: \_\_\_\_\_ Date: \_\_\_\_\_

## Step 2. Email, or mail the Plan Setup Authorization form to Cetera Retirement Plan Specialists.

**Email:** [retirementplans@cetera.com](mailto:retirementplans@cetera.com)

**Mailing Address:** Cetera Retirement Plan Specialists, P.O. Box 303, St. Cloud, MN 56302

## Next Steps

- ☐ **1)** Upon receipt of the Plan Setup Authorization form, Cetera Retirement Plan Specialists will draft all the appropriate documents and deliver them for electronic signature to the person indicated on the form.
- ☐ **2)** Review, sign and date documents. Once signed, they will be automatically routed to your financial professional. We will also save a copy in your secure online portal.
- ☐ **3)** Open the plan account.
- ☐ **4)** Each participant needs to receive a copy of the Summary Plan Description and complete the Beneficiary Designation forms. These documents will be available in your secure online portal.
- ☐ **5)** Your plan's actuary will determine the amount of plan funding based on your plan document, actuarial assumptions, and IRS regulations. Once you receive a contribution letter from your actuary, you may fund the plan.
- ☐ **6)** Deposit cash balance plan contribution by the due date of your business tax return, including extensions.
- ☐ **7)** Upon receipt of contribution confirmation, we will prepare plan's Form 5500 and forward it to you for electronic signature.

Cetera Retirement Plan Specialists Solo(cb) Fee Schedule	
<b>Plan Installation</b>	\$2,000
<b>Annual Fees</b>	
Annual administration, including actuarial certification, and Form 5500	\$2,205
Each additional participant	\$55
Trust accounting (per account)	\$350
<b>Loans</b>	
Setup	\$175
Annual maintenance	\$50
<b>Distributions</b>	
Payout calculation and forms	\$375
Form 945, per form	\$175
Form 1099-R, per form	\$100
<b>Required Plan Amendments</b>	\$150
<b>Plan Termination with Final Form 5500</b>	\$3,000

## Cetera Retirement Plan Specialists

Mailing Address: Cetera Retirement Plan Specialists | P.O. Box 303, St. Cloud, MN 56302

Corporate Headquarters: Cetera Retirement Plan Specialists | 655 West Broadway, 12th Floor San Diego CA 92101

888.926.0600



## Affiliated Entities

Cetera Retirement Plan Specialists may provide third party administrative services (TPA) to clients of financial professionals, who are affiliated with its family of broker-dealers and registered investment advisers. Cetera Retirement Plan Specialists is part of Cetera Financial Group®. Cetera Retirement Plan Specialists and its related entities operate independently and there is no requirement for retirement plan clients of Cetera Financial Group firms to engage with Cetera Retirement Plan Specialists.

## About Cetera Financial Group

Cetera Financial Group™ refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA/SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.