

BEI SOLO(K)

AN INDIVIDUAL 401(K) PLAN

Since the passage of tax legislation called "EGTRRA," a single business owner + spouse may have a 401(k) plan. Limitations far exceed those of SEP's and SIMPLE IRA's.

To qualify:

- You must own a business: i.e. self-employed, C-Corp, S-Corp & LLC
- You must not have any non-spouse eligible employees
- You can exclude employees under age 21, employed less than a year of service or Union employees subject to collective bargaining

Features:

- Any investment is allowed as long as it is not a "Prohibited Transaction*"
- You may borrow ½ of your account balance up to \$50,000. You pay yourself back at prime rate plus 1% in equal installments over five years. Longer periods are allowable if you use the money as a down payment on your own personal residence.

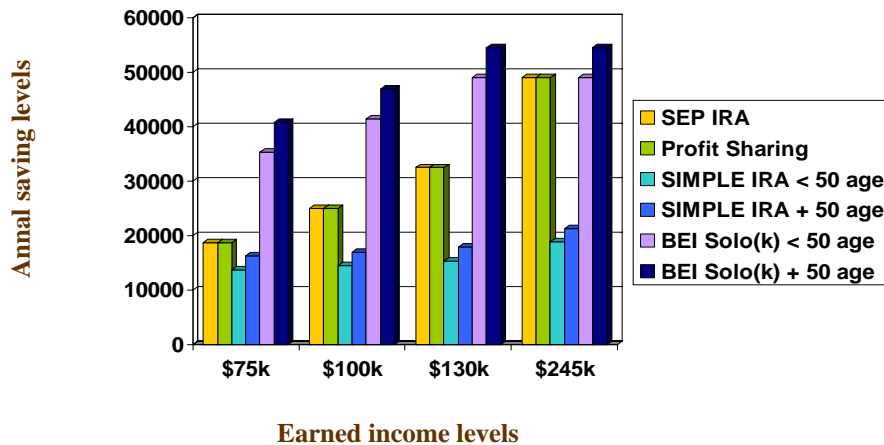
Advantages:

- Higher limits than IRA type plans, up to \$49,000 in 2011 (or as indexed)
- If your spouse is on payroll, you could double these numbers
- When investing in leveraged real estate you avoid the UBIT tax that is imposed on IRA's
- No need for an institutional custodian. You control the checkbook
- You can have a Roth option with no income limitations for tax deductibility
- You can make real estate loans, buy property and even invest in raw land



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Retirement Plan Funding Limits



Your annual saving limitations are based on your annual earned income. The Solo(k) concept allows you to take less income while still being able to set aside a significant tax deferred contribution.

Look at the math:

| Earned Income | optimal income | | | |
|------------------------|----------------|-----------|-----------|-----------|
| | \$75,000 | \$100,000 | \$130,000 | \$245,000 |
| SEP-IRA | \$18,750 | \$25,000 | \$32,500 | \$49,000 |
| Profit Sharing | \$18,750 | \$25,000 | \$32,500 | \$49,000 |
| SIMPLE IRA < age 50 | \$13,750 | \$14,500 | \$15,400 | \$18,850 |
| SIMPLE IRA age 50+ | \$16,250 | \$17,000 | \$17,900 | \$21,350 |
| Solo(k) < age 50 | \$35,250 | \$41,500 | \$49,000 | \$49,000 |
| Solo(k) age 50+ | \$40,750 | \$47,000 | \$54,500 | \$54,500 |

FAQ:

What if you currently have a SIMPLE IRA?

We can create an amendment to terminate the plan. A SIMPLE must be the only plan for a calendar year. The 401(k) cannot be established until the following calendar year. For example, if the SIMPLE is terminated as of 12/31/10 the 401(k) could not be effective until 1/1/11. You can still make a SIMPLE plan contribution for the 2010 plan year.

What if you have a Profit Sharing Plan?

We can create an amendment to terminate the existing plan. We will consult with you to determine if this is the best option. The 401(k) can be adopted and funded right away as long as the prior plan wasn't a 401(k). If both plans are in existence at the same time, the annual additions limit applies to the combined contributions of the plans.

Can a Defined Benefit Plan be combined with the 401(k)?

Yes, it can. We would want to look at the specific plan to see if this would be beneficial to you.

What happens if you hire employees who will be eligible to participate?

The employer would no longer be eligible for the Solo(k). We can create a new plan design and new service agreement. The cost to the plan would increase due to additional testing and filing requirements.

Can a spouse of an owner participate in the plan?

Yes, as long as the spouse is receiving "earned income" from the company (W-2, Schedule C or K-1).

Laws & Regulations: IRS publication 560—Solo(k) guidelines

* IRS section 4975—Outlines prohibited transactions