Welcome to a better solo 401(k)

This guide is here to make managing our solo plans simple.

From account opening to ongoing management, we've got you covered—so you can confidently guide your clients and deliver the best experience possible.

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PART 01

Getting started

Plan design features

All solo 401(k)s at Betterment share the same basic plan design features to help your clients maximize their contributions:

Eligibility:

Immediate

Vesting:

Immediate

Accounts:

Both traditional (employee and employer contributions) and Roth (employee contributions only)

Allowable distributions:

Hardship, Termination, In-Service age-based, and In-Service Rollover funds

Plan effective date:

NEW PLANS*

January 1 of the previous year (for 2025, this means January 1, 2024). Clients establishing a new solo 401(k) plan for the first time can make prior year contributions, up until their tax filing deadline for that year.

Note: The platform allows clients to make contributions through October 15 of the year that follows the filing year of the plan. But clients still need to follow the contribution deadlines specific to their entity type.

CONVERSION PLANS

Plan effective date from the existing plan.

Betterment plan start-on date:

Date of client signature. For both new and conversion plans, your client can begin funding your plan as soon as they sign the plan documents.

Features not supported or offered at this time:

- Loans
- Form 5500-EZ, if applicable
- Mega-back-door Roth
- Roth employer contributions

Defining rollovers vs. conversions

A solo 401(k) conversion is the process of transferring a solo from one institution to another while keeping the plan active. Whereas, a rollover is the process of transferring funds from one retirement account to another.

*If your client only has a traditional account and no spouse, you can skip providing information about the breakdown of the conversion funds. The system will automatically categorize funds received as historical employee contributions.

Eligibility requirements

Clients who meet the below requirements qualify for a solo 401(k):

Client must be self-employed and earn income from their business

- Most for-profit business types are permissible (LLC, sole proprietorship, partnership, S-Corp, C-Corp)

Client must have no employees, except for a spouse

- ✓ A spouse is eligible to contribute to the solo 401(k) if they are a full-time employee of the company.
- ✓ Clients with part-time employees still qualify for a solo 401(k), as long as the part-time employees are not over the age of 21 and have not worked 500+ hours/ year for three consecutive 12-month periods.
- ✗ Part-time employees are not eligible to participate in a solo 401(k).

Before you begin: information to collect

Having the below information available will facilitate the solo 401(k) account opening process for your client.

If your client is opening their first Betterment account, they will receive an email which will prompt them to create a username and password, add their SSN and date of birth (for account verification and security purposes only), and review and sign their solo 401(k) plan agreements.

If the client is new to Betterment, they will also complete standard account setup steps at this stage. If the client is already on Betterment, you do not need this information, and can navigate to the account opening flow from the client's household page .

INFORMATION REQUIRED FOR NEW CLIENTS

If you're setting up a solo 401(k) as a client's first Betterment account, you'll need basic contact and identifying information:

- Email address
- First and last name
- Physical address

INFORMATION REQUIRED FOR ALL CLIENTS

- **Does your client meet the eligibility requirements listed on page 4?**

- **Does your client have an eligible spouse that they'd like to add to the plan?**

  If yes, then you'll need the spouse's legal name and physical address.

  If uncertain, you can add a spouse at a later date!

- **Does your client have an existing, funded solo 401(k) at another institution that they want to convert to a Betterment solo 401(k)?**

  If yes, this should be processed as a **conversion** and you should prepare the following information:*

  - The types of accounts that are converting over (traditional or Roth) and the participants (owner only or owner and spouse)
  - Dollar breakdown of funding sources for each participant, including employee and employer contributions and rollovers:

    For traditional accounts, have on hand
    - inception-to-date employer and employee contributions;
    - year-to-date employer and employee contributions (optional)
    - total rollover funds

    For Roth accounts
    - inception-to-date employee contributions;
    - year-to-date employee contributions (optional);
    - total rollover funds; and
    - first contribution date
  - Plan adoption agreement from the current institution (to the extent available)
  - Plan effective date of existing plan (can be found on your client's Form 5500-EZ or prior plan agreements)
  - Recordkeeper name at the current institution

- **Does your client have an existing, unfunded or inactive solo 401(k) at another institution that they want to convert to a Betterment solo?**

  If yes, you may need the relevant plan document with plan name, effective date, and institution name.

*If your client only has a Traditional account and no spouse, you can skip providing information about the breakdown of the conversion funds. The system will automatically categorize funds received as historical employee contributions.

BUSINESS INFORMATION REQUIRED

- Legal business name
  (i.e., the name appearing on the up-to-date business registration/certificate associated with the business)
- Business type
  (e.g., sole proprietorship, LLC, etc.)
- Employer identification number (EIN)
- Business phone number
- Business legal address

Account opening and setup

ADVISOR ACTION

Invite a client to open a solo 401(k)

For **new** Betterment clients:

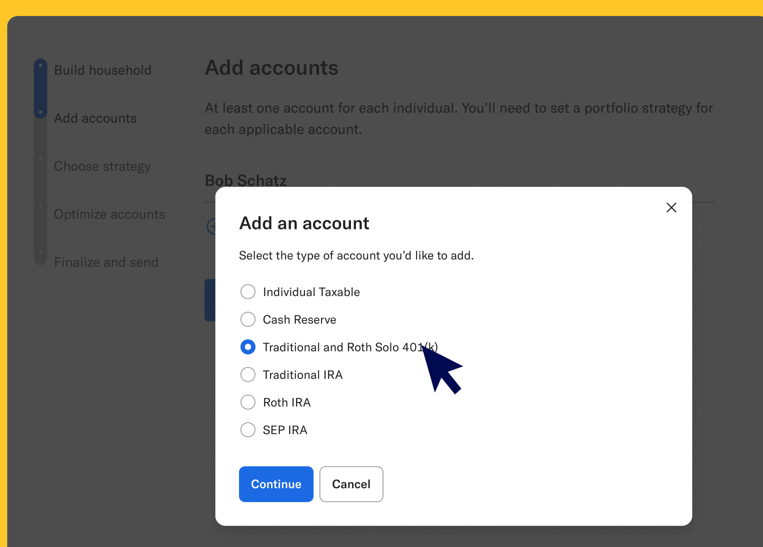
- You can open a solo 401(k) account for new clients through the new client onboarding flow.

- After completing the steps to add a new client household, you'll be prompted to start adding accounts for your new Betterment client.

- You'll now have the option to select a "traditional and Roth solo 401(k)" account to either **(a) open a new solo 401(k) plan** or **(b) begin a conversion for your client.**

For **existing** Betterment clients:

- To set up an existing client with a solo 401(k) account, navigate to your client's household page and select "add account" in the top right corner. Here, you'll have the option to add a "traditional and Roth solo 401(k)."



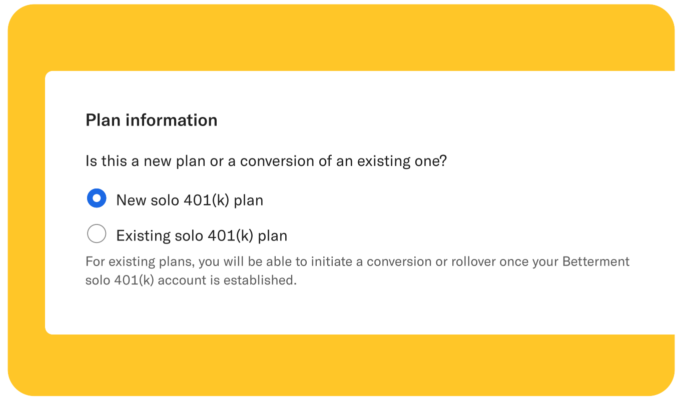
ADVISOR ACTION

Establishing the account

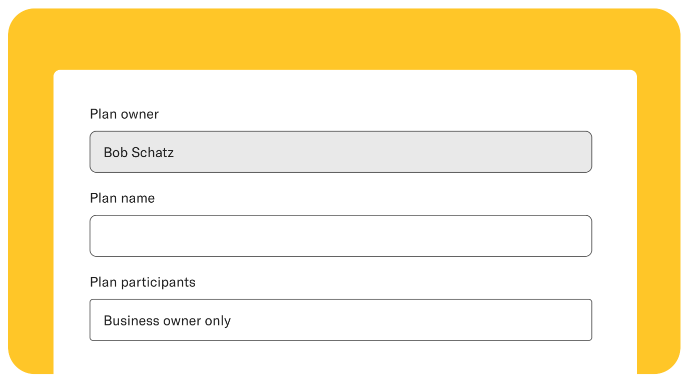
Such as plan details, participants, and portfolio strategy

- First, select "New solo 401(k)" or "Existing solo 401(k)."

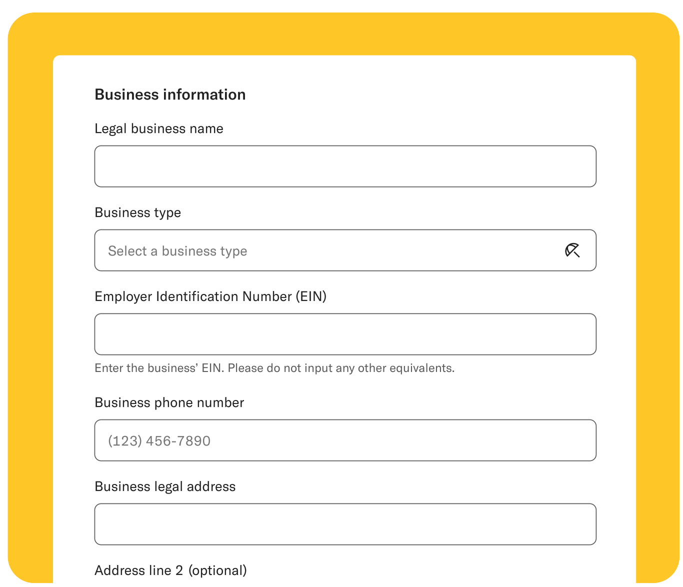
Note:
You'll be able to initiate a conversion or rollover of an existing plan once the new Betterment solo 401(k) account is established.



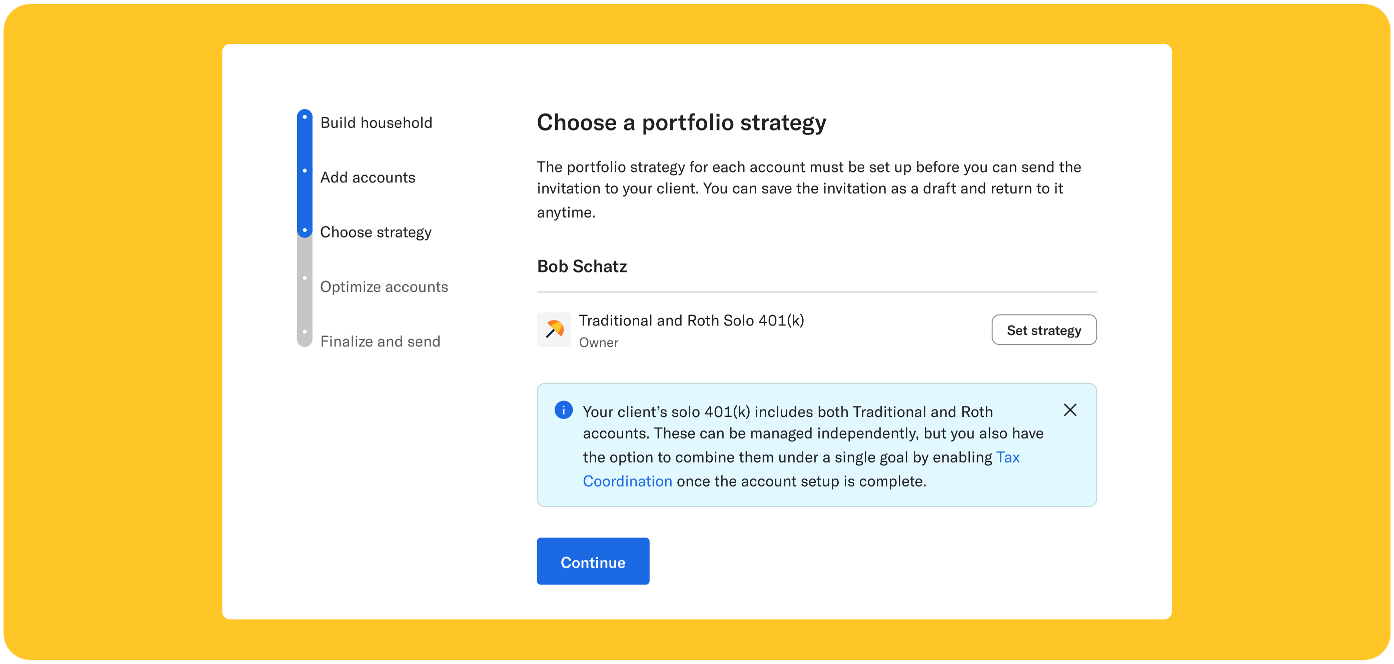
- You'll then be prompted to fill in the plan owner's name (your client) and solo 401(k) plan name, and then select whether the plan will include the plan owner's spouse.



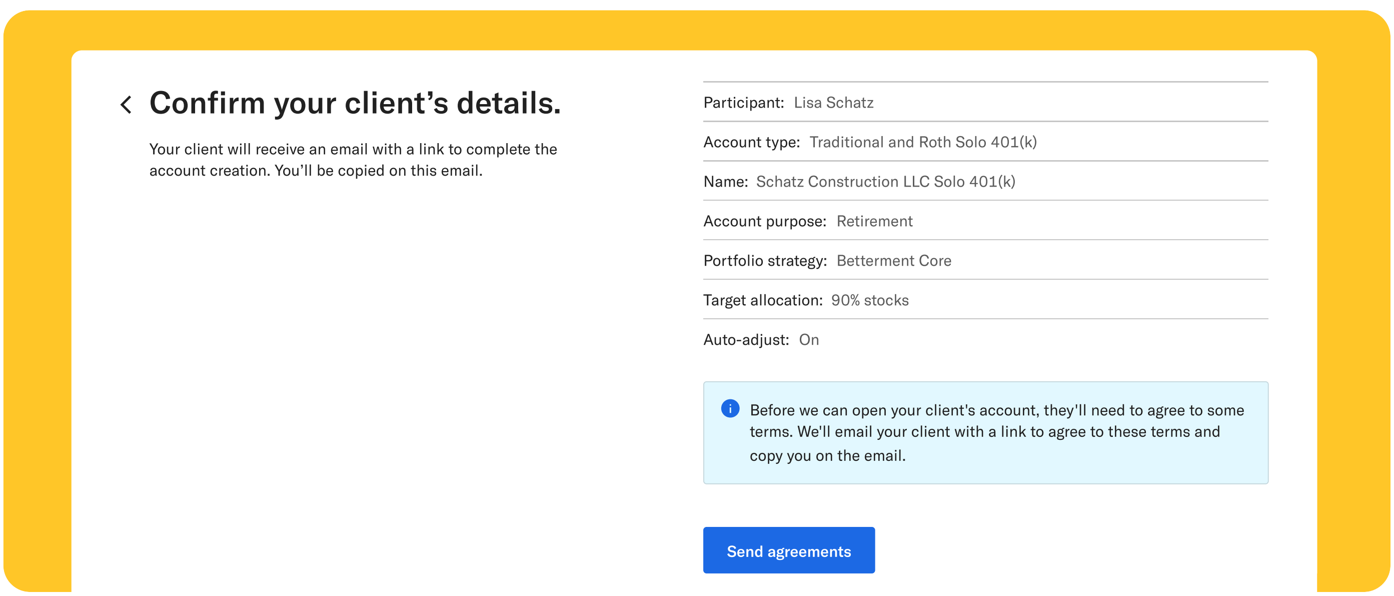
- Next, you can enter details about the client's business (and their existing solo 401(k) plan, if applicable).



- Then, you'll be prompted to select a portfolio strategy for the solo 401(k). After clicking “Set strategy,” you can select one of your firm’s custom portfolios or an off-the-shelf model from the Betterment marketplace.



- You'll then land on a summary page detailing your client’s solo 401(k) account and have the option to click “Send agreements” to send digital agreements to your client’s email address.



If you’re opening a solo 401(k) for a new Betterment client, you'll see a few extra steps prior to sending your client an invite. This will include the ability to add beneficiaries to your client’s accounts, assign a billing plan to your client, and turn on Tax-Loss Harvesting if your client has eligible accounts.

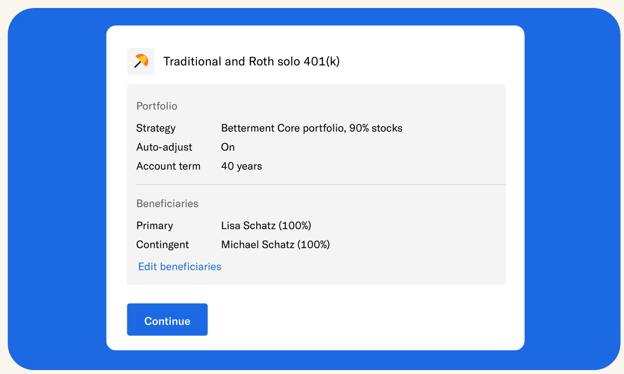
CLIENT ACTION

What does your client need to do to complete account setup?

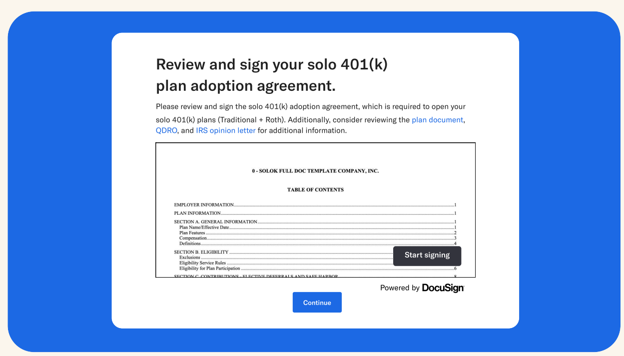
For **new** Betterment clients:

Sending the new invite, or Client Envelope, to your client via the advisor dashboard will trigger an email to your client. Your client can click through the email to access the account setup flow in the client portal:

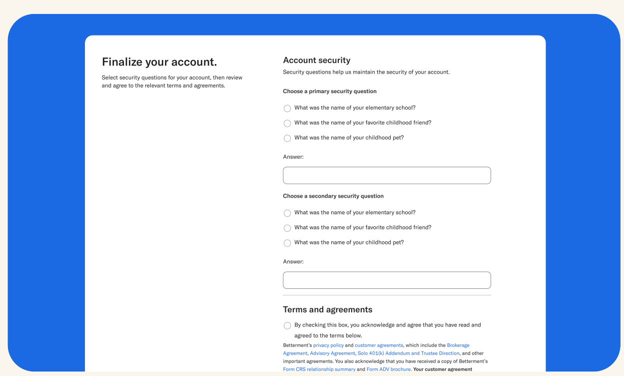
- New clients will be directed to create a Betterment login and provide additional personal information, including their phone number, address, and SSN.
- They'll then see a summary of their new account information, including account type, portfolio strategy, and beneficiaries.



- The client will then review and sign their solo 401(k) plan adoption agreements via DocuSign.

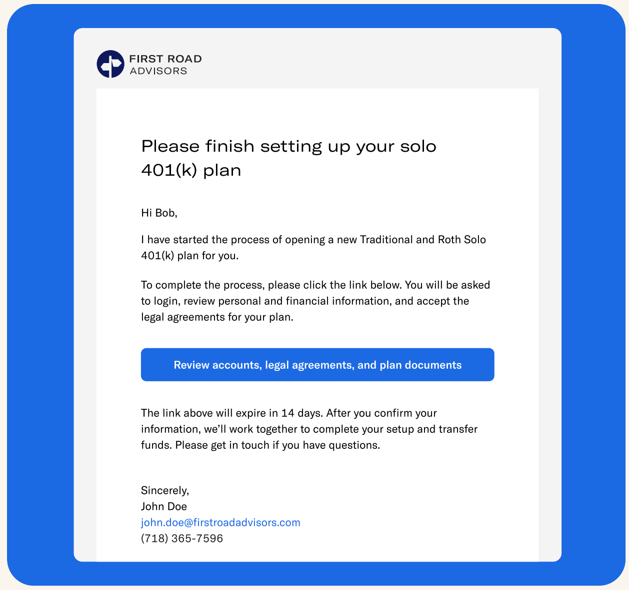


- The client will be able to review their customer agreements including form ADV and CRS.



For **existing** Betterment clients:

- After you send the solo 401(k) account invite via email, your client can access the account setup flow and sign solo 401(k) plan adoption agreements via DocuSign.



SECURE Act 2.0 has several provisions that impact solo 401(k) contributions, including retroactive salary deferrals. This provision now allows eligible employers to establish and fund a solo 401(k) plan with salary deferrals for the prior tax year.

This means that clients that open new solo 401(k) accounts in 2025 can make tax-deductible contributions for the 2024 tax year up until October 15, 2025 or their applicable tax filing deadline, if sooner.

Features not supported at this time:

Loans

Mega Backdoor Roth

Form 5500-EZ Prep

Roth Employer Contributions

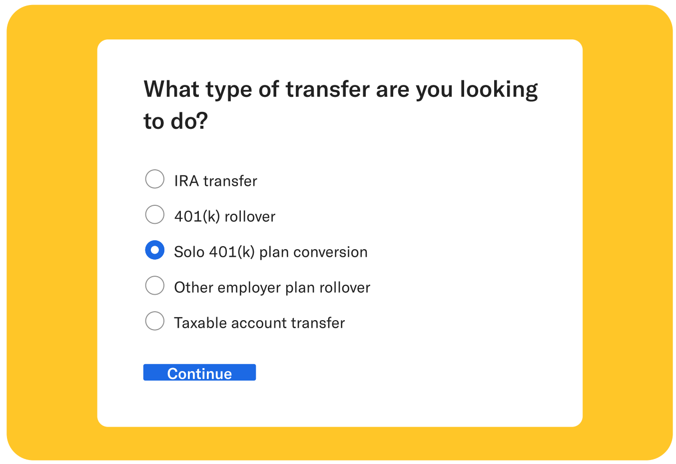
ADVISOR ACTION

How to initiate a conversion

To initiate a conversion, your client's solo 401(k) account must first be established on the Betterment platform. See the above sections under "Account opening and setup" for detailed instructions.

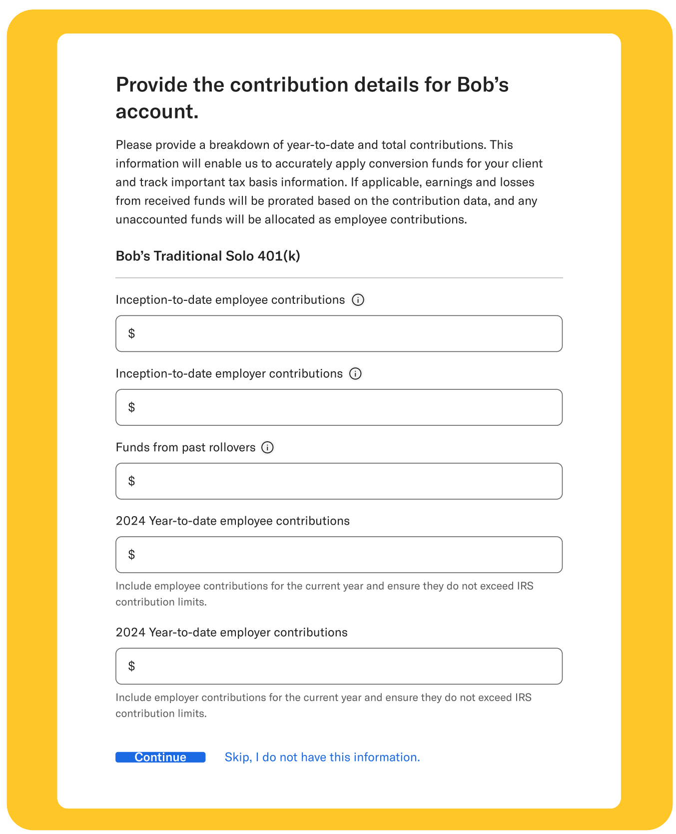
Once a solo 401(k) plan is established on Betterment, you can initiate a solo 401(k) conversion.

- Click the "start a transfer" button in the top right corner of a given client's household page.
- You'll then see "solo 401(k) plan conversion" as an option.



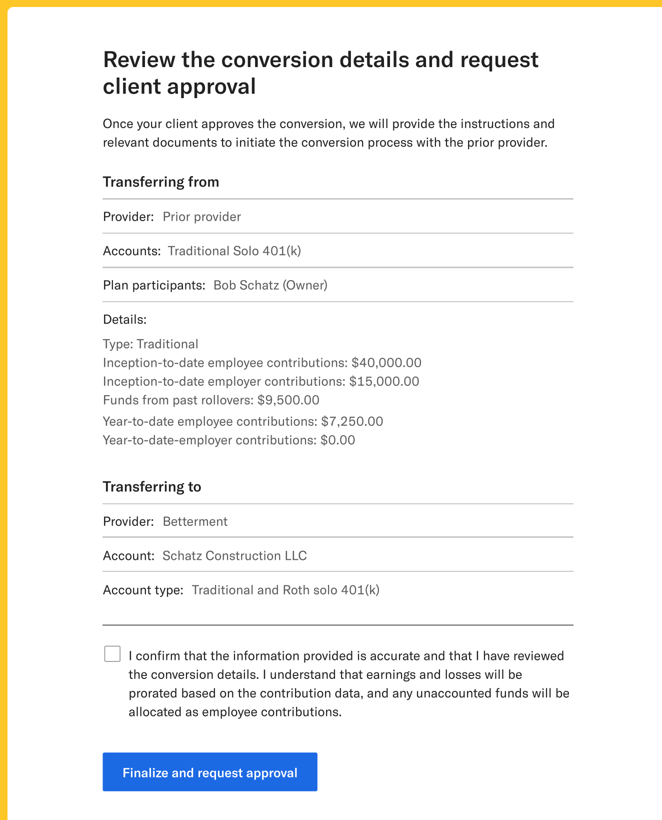
You'll need to provide information about the conversion funds for any participant that has funds to transfer from the prior provider to Betterment.

- Select type of funds in the plan owner's solo 401(k) (Roth, traditional, or both).
- Enter details about previous contributions (there will be sections for Roth and traditional based on the previous selection).
- If there is only one participant with one traditional solo 401(k) account, you can click "skip" on the bottom right if you don't have this information. If there is more than one participant or the existence of a Roth solo 401(k), then all fields will be required except for YTD fields.



Then, you'll land on a summary screen.

- At this final step, you'll send the conversion request via email for your client's approval.



Review the conversion details and request client approval

Once your client approves the conversion, we will provide the instructions and relevant documents to initiate the conversion process with the prior provider.

Transferring from

Provider: Prior provider

Accounts: Traditional Solo 401(k)

Plan participants: Bob Schatz (Owner)

Details:

Type: Traditional
Inception-to-date employee contributions: $40,000.00
Inception-to-date employer contributions: $15,000.00
Funds from past rollovers: $9,500.00
Year-to-date employee contributions: $7,250.00
Year-to-date-employer contributions: $0.00

Transferring to

Provider: Betterment

Account: Schatz Construction LLC

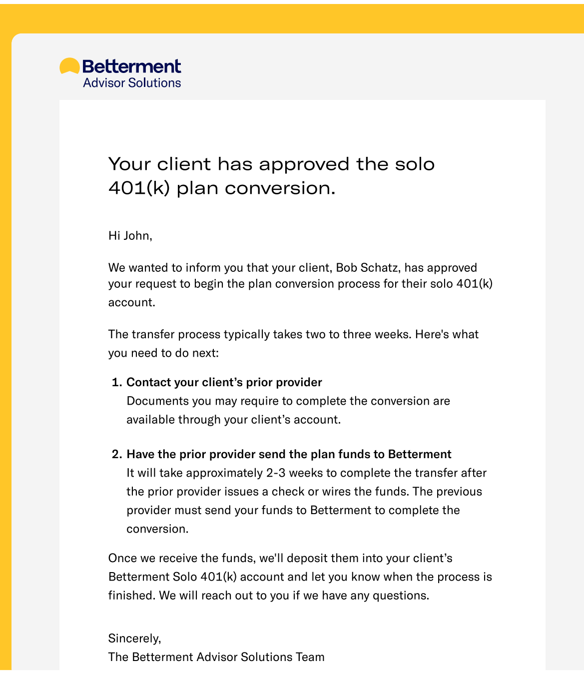
Account type: Traditional and Roth solo 401(k)

☐ I confirm that the information provided is accurate and that I have reviewed the conversion details. I understand that earnings and losses will be prorated based on the contribution data, and any unaccounted funds will be allocated as employee contributions.

Finalize and request approval

Next, you'll be notified when your client approves the conversion request.

- At this point, you can download the required documents from the client's account to provide to the client's previous provider to complete the conversion.



Betterment
Advisor Solutions

Your client has approved the solo 401(k) plan conversion.

Hi John,

We wanted to inform you that your client, Bob Schatz, has approved your request to begin the plan conversion process for their solo 401(k) account.

The transfer process typically takes two to three weeks. Here's what you need to do next:

1. **Contact your client's prior provider**
   Documents you may require to complete the conversion are available through your client's account.
2. **Have the prior provider send the plan funds to Betterment**
   It will take approximately 2-3 weeks to complete the transfer after the prior provider issues a check or wires the funds. The previous provider must send your funds to Betterment to complete the conversion.

Once we receive the funds, we'll deposit them into your client's Betterment Solo 401(k) account and let you know when the process is finished. We will reach out to you if we have any questions.

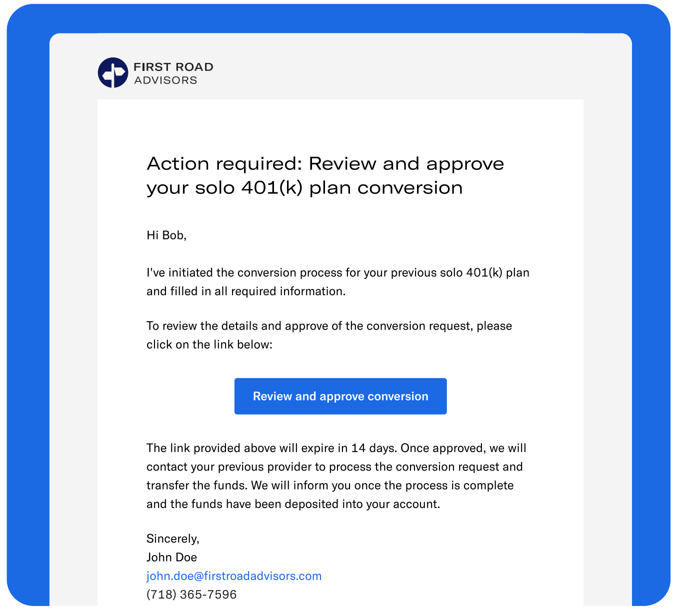
Sincerely,
The Betterment Advisor Solutions Team

CLIENT ACTION

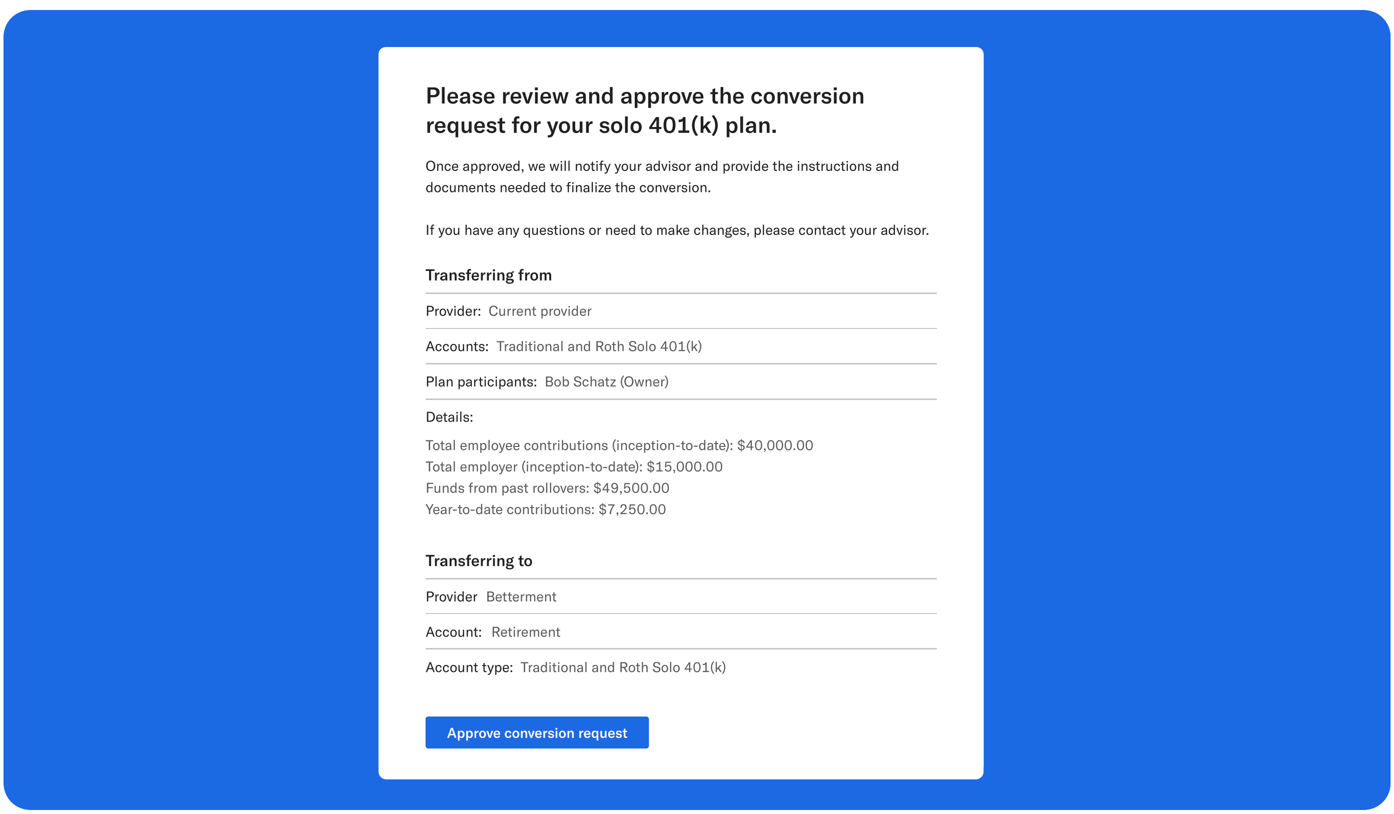
Approving the conversion

After you initiate the conversion:

- Your client will receive an email notifying them that it is ready for their review and approval.



- The client can then review the conversion details that you have entered and approve it if everything looks correct.



How to initiate a rollover

You and your client may want to roll over external accounts into their new solo 401(k).

Here's the information you may need:

- **Account type you are rolling over**
- **Current provider**
  (the firm that holds the account you are rolling to Betterment)
- **Estimated balance**
- **If you are rolling over a 401(k) you'll also need:**
  Prior employer name
  Prior employer plan name (optional)

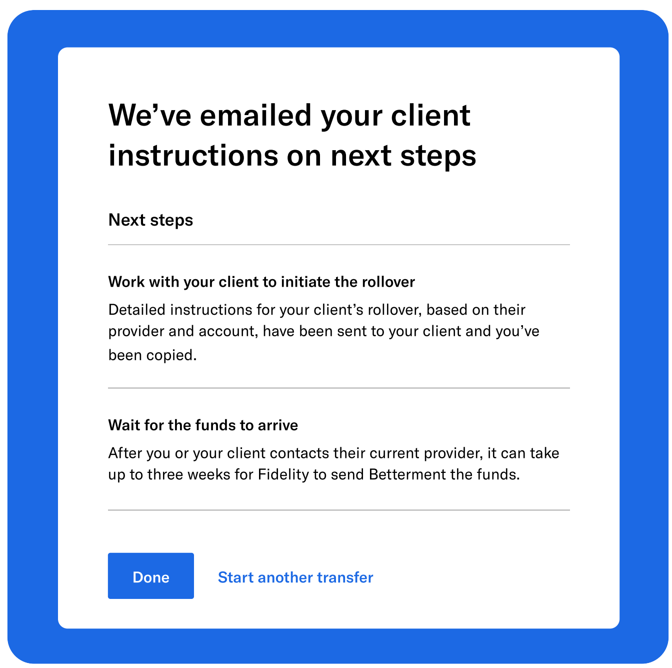
To begin a rollover:

- Click on the **"start a transfer"** button in the top right corner of your client's household page.
- Select the menu option, **"401(k) rollover."**
- Select the fund type (Roth or traditional). If the 401(k) contains both, two separate rollovers will have to be initiated.
- Enter the current provider and estimated balance amount.

Note:
As the advisor, you can only rollover a client's solo 401(k) into an IRA. All 401(k) to 401(k) rollovers must be done via the client portal, by the client directly.

If you, as the advisor, are initiating an IRA rollover:

- You'll see a summary of the rollover prior to sending instructions to your client via email.



How to set up contributions and funding

Your client can fund their solo 401(k) like any other Betterment account by simply linking their bank account.

To make a deposit, they can navigate to the upper right corner of the client portal homepage or a goal summary page. You can also start a deposit for your client via logging in to the client portal.

Tip: We recommend your client link their **business bank account** as their funding account, and work with their CPA to ensure they are using appropriate payroll funds for their solo 401(k) contributions.

Once your client links the appropriate funding account (business bank account recommended), they will:

- **Select the contribution tax year they'd like to make contributions toward, within their applicable tax deadline timeframe, similar to IRAs. This means a user could have the option to fund two tax years.**

  New plans

  When a new plan is signed, we set an effective date of 1/1 [prior year] to allow for maximum flexibility

  Example: I sign my plan document on February 15, 2025; the original effective date will be 1/1/2024

  Conversion plans

  We inherit the effective date of the prior provider.

- **Set up pre-tax contributions as an employee and employer. Roth contributions can only be made as employee deferrals.**

- **Choose whether to set recurring deposits on employee contributions, and conduct ad-hoc deposits as an employer**

  Note:
  Recurring transfers are not accommodated at this time.

Once your client completes the above deposit steps, it will take 1-2 business days to complete the transaction. They can review the deposit in their Goal >> Activity or overall activity page.

Note:

- Betterment does not make any distinction between plan owner or spouse with regards to funding, so a spouse can go through the same funding flows as the business owner
- Spousal contributions are calculated by the IRS on an individual basis
- Each solo 401(k) account will be represented on the list of available accounts to fund when they set up their deposit
- The Betterment solo 401(k) accommodates prior year contributions up until October 15, 20XX. This date may be later than the actual annual contribution deadline(s) applicable to your client's business, which depends on the business entity type and/or whether they have received a tax filing extension**
- Solo 401(k) accounts with greater than $250,000 in assets are required to file Form 5500-EZ. Betterment isn't a tax advisor and doesn't prepare this form for solo 401(k)s, but we can make information available to assist you and your client!

PART 03

Ongoing management

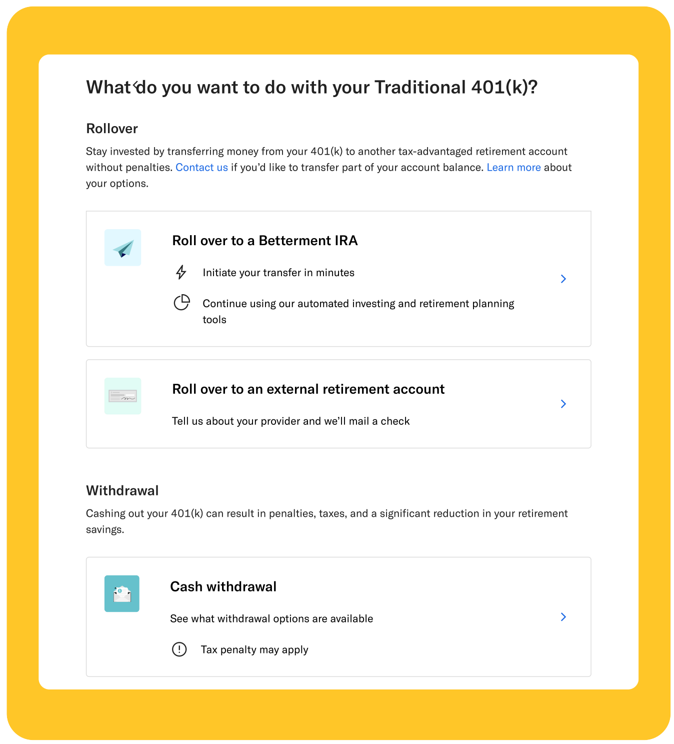
How to initiate a withdrawal

Starting from the client dashboard, click into the solo 401(k) account from which you'd like to withdraw funds.

Note: Initiating a withdrawal must be done from the client portal. If you'd like, you can log in to your client's portal to complete the below steps on their behalf.

Once on the account page, navigate to the "Transfer or Rollover" menu and click the dropdown option "Withdraw." You'll see options for:

- Cash withdrawal
- Rollover to a Betterment IRA
- Rollover to an external retirement account



Distributions

Distributions will broadly function the same for solo 401(k) participants as they do for standard 401(k) plans.

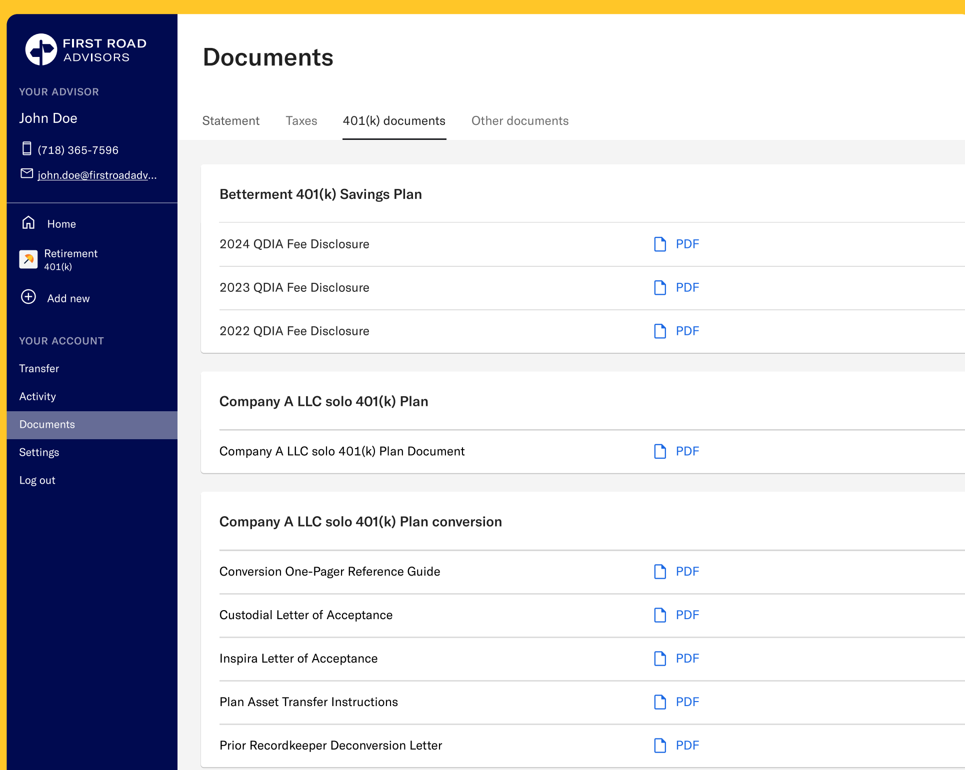
Participants will be able to take distributions through the client dashboard. The only distribution type that solo 401(k) participants will not take is EACA distributions, because auto-enrollment isn't a feature that's allowed for solo 401(k)s.

Plan document management

As the plan owner, your client can view their solo 401(k) documents at any time. Navigate to the left-side menu in the client dashboard, to Documents > 401(k) Documents. There, they can access:

- Plan document
- Adoption agreement
- QDRO procedures
- Trust agreement
- IRS Opinion Letter

Conversion documents will also live here.
As the advisor, you can also access these documents through impersonation mode.



Looking for more guidance?

If you have any questions, don't hesitate to reach out to support@bettermentadvisorsolutions.com We're happy to help!

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