

Solo(k) Q&A

Is Aspire the 3(16) fiduciary?

Solo(k) plans are non-ERISA plans, so a 3(16) is not required. Aspire/PCS is the full-service recordkeeper.

Does a Solo(k) allow for accounts if a business has more than one owner?

The plan design options are the same as regular 401(k) plans within a controlled group. The plan can be used for multiple businesses or each business can set up their own.

A controlled group is one or more companies that has similar ownership. An individual with multiple owner-only businesses would qualify as a controlled group.

Members of a controlled group may each have a different plan or multiple members of the controlled group may adopt a single plan. No matter the structure of the plans, all employees of the controlled group must be taken into account for testing purposes. Employees of members of a controlled group or affiliated service group are all treated as being employed by a single employer.

Controlled group members are treated as a single employer when applying the following retirement plan requirements:

- Highly compensated employee (HCE) determination IRC § 414(q)(7)
- Eligibility service requirements under IRC § 401(a)(3) and § 410(a)
- Vesting service under § 401(a)(7) and § 411
- Compensation dollar limit under IRC § 401(a)(17)
- Elective deferral/Catch-up limit under IRC § 401(a)(30) and 414(v)
- IRC § 415 limits (more than 50% controlling interest rule for parent-subsidary group)
- Coverage under IRC § 410(b)
- Nondiscrimination testing under IRC § 401(a)(4), § 401(k), and § 401(m)
- Top heavy rules under § 416
- Severance from service rules (eligibility for distributions)
- Defined benefit minimum participation test under IRC § 401(a)(26)
- SEPs and SIMPLE-IRA plans § 408(k) and 401(p) respectively

IRC §404 deduction limits - members of a controlled group are not treated as a single employer for purposes of applying the deduction limits unless they are covered under the same plan.

Is the Solo(k) presentation client approved?

Currently all marketing materials can be found at www.aspireonline.com/primerica/solok We are constantly creating additional assets to provide to aid representatives.

To order hard copies of materials, please contact the Franklin Templeton Sales Desk at 800-221-3627.

Can an employer offer a Solo(k) if they have 1099 workers?

Yes, 1099 workers are considered subcontractors so a Solo(k) could still be used.

Is an employer required to be incorporated or have an EIN? (Employer Identification Number)

The employer does not need to be incorporated, but is required to have an EIN. Our enrollment process can link direct to the employer to the IRS site to apply for an EIN.

Is there a minimum amount of time a business has to be open in order to sponsor a Solo(k)?

No, as long as there is income from the business, a Solo(k) can be sponsored.

Do the Aspire fees cover the 5500EZ if required?

Yes, Aspire is acting as a full-service recordkeeper, so those services are included.

Is there an age limit on setting up a Solo(k)?

Our product requires the participant be over 16 years old. There are no additional restrictions.

Does someone have to contribute every year?

No, one of the advantages of a Solo(k) is the ability to be flexible in how and when contributions are made.

Are Roth contributions allowed?

Yes, this plan allows for Roth contributions at the participant level.

Will there be step-by-step instructions?

You can find these at www.aspireonline.com/primerica/solok

Is the contribution tax deductible?

If pretax participant contributions are chosen, they are tax deductible. If Roth is chosen, the contributions are made on an after-tax basis and grow tax free. All employer contributions would be pretax and thus deductible.

Are rollovers allowed?

Yes, you can roll another Solo(k), any 401(k), or eligible plan into this one. When rolling other plans into this one, please verify what forms are needed from the existing carrier to proceed with the rollover. Once the plan is established, Aspire's team can help walk you through the process.

Is there a minimum contribution amount?

There are no minimums, but there is a \$150 minimum fee that you should be aware of.

Do RMDs (Required Minimum Distributions) rules apply?

Yes, normal RMD rules would apply.

Are there plans that offer Franklin funds in the Aspire 403b product?

Ways to expand offerings in this product are consistently evaluated and this possibility will continue to be discussed with Primerica.

Will Legg Mason Funds be added to this Solo(K) product?

Yes, Legg Mason funds are added. The full lineup can be viewed at: <http://www.aspireonline.com/primerica/solok>.

Is there a client portal?

Clients would check their account by going to www.pcsretirement.com and clicking the login button, then follow instructions to establish their account.

Does the Solo(k) help clients achieve Rights of Accumulation?

R share purchases do not factor into Rights of Accumulation.

Are loan features outlined?

- You can loan up to 50% of the account, up to \$50,000
- Loan interest rate is Prime +2%. All interest is deposited back into participant account
- Loans must be paid back in monthly or quarterly payments
- Participant Loan Set-Up (standard paperless process) \$50 per loan (paid by participant)
- Participant Loan Annual Maintenance \$35 per loan per year (paid by participant)

What are the expenses in the Solo(k)?

Aspire charges 20 basis points to be the full-service recordkeeper. There is a \$150 minimum per year. The other annual expenses would be the fund expense ratios.

Is a Series 65 required to sell this product?

No, a Series 65 is not required.

Can a business owner have a Solo(k) if they have employees?

No, if they have full-time employees other than their spouse, they will need to explore other options.

How are commissions paid?

R shares pay a commission of 50 basis points. Those are paid monthly.

Do these commissions qualify for production credits?

No, R shares do not qualify for production credits.

If you are contributing to the pretax portion of the Solo(k), can you convert to a Roth?

You can always change future contributions, but you would need to pay taxes if you convert on the existing pre-tax balance when converting.

How does the owner contribute money?

Once the plan is set up, the owner can enter funding information online or fill out a sheet to include with a check. This will outline if it is pretax vs Roth vs an employer contribution.

We also have calculators to help determine how much money an employer can put in as an employer, which they can go over with their CPA.

Is there a contribution requirement at the time of application?

No, the participant is not required to make a contribution at the time of account opening.