

## Solo 401(k) Eligibility

A Solo 401(k) plan is well suited for businesses that either do not employ any employees or employee certain employees that may be excluded from coverage. A Solo 401K plan is perfect for any sole proprietor, consultant, or independent contractor.

To be eligible to benefit from the [Solo 401\(k\) Plan](#), investors must meet just two eligibility requirements:

(i) The presence of self-employment activity.

(ii) The absence of full-time employees.

### The Presence of Self Employment Activity

Self-employment activity generally includes ownership and operation of a sole proprietorship, Limited Liability Company (LLC), C Corporation, S Corporation, and Limited Partnership where the business intends to generate revenue for profit and make significant contributions to the plan.

### Generate Revenue for Profit

There are no established thresholds for how much profit the business must generate, how much money must be contributed to the plan, or how soon profits and contributions must happen. It is generally believed that the IRS will consider you eligible if the business being conducted is a legitimate business that is run with the intention of generating profits. The self-employment activity can be part time, and it can be ancillary to full time employment elsewhere. A person can even participate in an employer's 401(k) plan in tandem with their own [Roth 401\(k\)](#). In such a case, the employee elective deferrals from both plans are subject to the single contribution limit.

### The Absence of Full-Time Employees

Unlike a regular 401(k) plan, a solo 401(k) plan can be implemented only by self-employed individuals or small business owners who have no other full-time employees and are not employed by any business owned by them or their spouse (an exception applies if your full-time employee is your spouse). The business owner and their spouse are technically considered "owner-employees" rather than "employees".

The following types of employees may be generally excluded from coverage:

- Employees under 21 years of age
- Employees that work less than a 1000 hours annually
- Union employees
- Nonresident alien employees

If you have full-time employees age 21 or older (other than your spouse) or part-time employees who work more than 1,000 hours a year, you will typically have to include them in any plan you set up. However, a [Solo 401K](#) eligible business can have part time employees and independent contractors.