

Schwab Individual 401(k)

You've worked hard to build your business. Now make sure you have a retirement plan that works for you. An Individual 401(k) can provide you with the flexibility you need while allowing you to maximize contributions toward your retirement.

Benefits

Convenient retirement savings—Contribute to your retirement savings easily and regularly with an Individual 401(k). Receive benefits similar to a traditional 401(k) with less administration required.

Great value—Keep your costs low and maximize your investment returns with no account opening or maintenance fees (other account fees, fund expenses, and brokerage commissions may apply)¹ on a wide choice of no-load, no-transaction-fee mutual funds.²

Tax benefits—Contributions are tax-deductible and can grow tax-deferred.

High contributions—Can be funded with a combination of salary deferrals and annual employer profit-sharing contributions. May permit greater contributions than other types of plans, such as a SEP or Profit-Sharing Plan, without the funding commitment required by a Personal Defined Benefit plan.

Special catch-up provision—Individuals age 50 or older can make an additional salary deferral catch-up contribution of \$6,000 for tax year 2019 and \$6,500 for tax year 2020.

Flexibility—Plan does not need to be funded annually, and the amount contributed can vary from year to year.

100% vesting—All contributions vest immediately.

Features

Convenience—Easy to establish and maintain, a Schwab Individual 401(k) can help you build your retirement savings.

Investment choice—Select from a wide range of investments, including:

- **Mutual funds**—Pick from thousands of mutual funds with no loads and no transaction fees, and take advantage of our online screening tools and carefully screened lists of funds.²
- **Stocks**—Along with our commitment to fast trades and dependable execution, you can rely on Schwab's winning combination of service, insight, and value.
- **Fixed income**—Access thousands of fixed income securities and explore municipal, corporate, and government agency bonds, bond funds, and other fixed income securities.

Tools and resources—Identify stocks and mutual funds with a selection of screening tools.

Contributions

Maximize your contributions—Contributions to an Individual 401(k) can be higher than contributions to other types of retirement plans. Fund your plan with:

- Annual profit-sharing contributions of up to 20% of your net self-employment income.
- Annual salary deferral of up to \$19,000 for 2019 tax year and \$19,500 for 2020 tax year, for a total annual contribution of up to \$56,000 for 2019 tax year and \$57,000 for 2020 tax year.

If you're age 50 or older, you can make an additional salary deferral contribution of \$6,000, for a maximum contribution of up to \$62,000 for 2019. For the 2020 tax year, you can make an additional salary deferral contribution of \$6,500 for a maximum contribution of up to \$63,500.

Example

SEP or Profit-Sharing Plan

	\$120,000	Compensation
x	20%	Max. Allowable % of Compensation

	\$24,000	Annual Contribution
--	----------	---------------------

Individual 401(k)

	\$120,000	Compensation
x	20%	Max. Allowable % of Compensation

	\$24,000	Annual Profit-Sharing Contribution
+	\$19,500	2020 Salary Deferral

	\$43,500	Total Contribution
--	----------	--------------------

Individual Age 50+:

	\$6,500	2020 Salary Deferral
--	---------	----------------------

	\$50,000	Total Contribution
--	----------	--------------------

Contribution Deadline

- You'll want to fund your profit-sharing contributions by your tax-filing deadline, including any extensions.
- In general, you must make your salary deferrals by the end of your business tax year.

Individual 401(k) Details

Who is it for?

An Individual 401(k) may be best for self-employed individuals or owner-only businesses with no employees other than a spouse (includes corporations, partnerships, and sole proprietorships). It's ideal for those who:

- Want to make contributions that are larger than what can typically be made to a SEP-IRA or Profit-Sharing Plan.
- Need flexibility in the amount contributed annually.
- Want an easy-to-administer, low-cost plan.

Eligibility

- You may establish an Individual 401(k) if you are self-employed or an owner-only business and have no employees other than your spouse.
 - A partnership is eligible for an Individual 401(k) only if each partner owns at least 5% of the business.
 - A corporation is eligible for an Individual 401(k) only if it has no employees other than a sole shareholder and his or her spouse.
 - If you do not meet these criteria, Schwab can suggest other products that can meet your needs.
-

Administration

Establishment deadline—Establish plan by December 31 (or fiscal year-end).

You will need an Employer Identification Number (EIN) to establish your plan. If you don't currently have an EIN for your business, you may obtain one from the IRS for immediate use by applying online at www.irs.gov.

Establishing plan—To include a full year's compensation when calculating your contribution amount, you should indicate the plan's effective date of January 1 on your Schwab Individual 401(k) Plan Adoption Agreement.

Tax filings—When your plan balance reaches \$250,000 or more, you are required by law to file a Form 5500 annually.

Loans—You may not take loans from your Schwab Individual 401(k).

Tax Advantages

Contributions—Tax-deductible.

Earnings—Taxes are deferred until you start withdrawing funds.

Withdrawals—Taxable.

Distributions

Tax consequences/penalties—Any earnings and contributions are taxed at the time of withdrawal. Withdrawals made before age 59½ are subject to a 10% penalty.

Exceptions to penalty

- Penalty-free distributions may be made before age 59½ only under specific circumstances, including termination of employment after age 55, disability, or death (distributions payable directly to your beneficiary[ies]).
 - In-service withdrawals are available only for hardship or after age 59½.
 - Check your Adoption Agreement and Basic Plan Document for complete details on taking distributions from your Individual 401(k).
-

Next Steps

Establish your plan—Review and complete the Schwab Individual 401(k) forms and documents (as applicable), including:

- **Adoption Agreement**—Retain a copy of the completed document and return the original to Schwab.
- **Elective Deferral Agreement**—Retain a copy for your records and provide a completed copy to each participant to indicate the salary deferral amount.
- **Basic Plan Document**—Review and retain for your records.
- **Plan Summary**—Retain a copy for your records and provide each participant with a copy of the completed document. Do not send to Schwab.

Open your account

- **Individual 401(k) Account Application**—All participants (including business owner) must complete. Make copies for your records and return the originals to Schwab.

Contribute to account

- **Contribution Transmittal Form**—To make contributions to participant (including business owner) accounts, complete and forward along with a check made payable to Charles Schwab & Co., Inc.

To request additional forms, go to Schwab.com. Completed forms can be mailed to:

Charles Schwab & Co., Inc.
P.O. Box 982600
El Paso, TX 79998-2600

or

Charles Schwab & Co., Inc.
P.O. Box 628291
Orlando, FL 32862-8291

For questions about the Schwab Individual 401(k) account, or for assistance in filling out the forms, visit your local Schwab branch or call 1-800-435-4000.

How to Contact Us

Call 1-800-435-4000.

Visit a Schwab branch near you.

Log in to Schwab.com.

Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value

Investors should carefully consider information contained in the prospectuses, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling Schwab at 1-800-435-4000. Please read the prospectus carefully before investing. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

¹Please refer to the *Charles Schwab Pricing Guide for Individual Investors* (the "Guide") and any amendments to the Guide for comprehensive details on fees.

²Trades in no-load mutual funds available through the Mutual Fund OneSource® service (including Schwab Funds®), as well as certain other funds, are available without transaction fees when placed through Schwab.com or our automated phone channels. For each of these trade orders placed through a broker, a \$25 service charge applies. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds, which may charge a separate redemption fee, and funds that accommodate short-term trading. Funds are also subject to management fees and expenses. Charles Schwab & Co., Inc. receives remuneration from fund companies in the Mutual Fund OneSource program for recordkeeping and shareholder services, and other administrative services. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.

This information is not intended to be a substitute for specific individualized tax or legal advice, and you should consult with a qualified legal or tax advisor for further assistance.

 Printed on recycled paper.

©2019 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.
CC3666567 (1219-9HS4) SLS30720-16 (12/19)
00239051



charles
SCHWAB

Own your tomorrow.