

The Retirement Potential of Self-Directed IRA's and Solo 401(k)s

Self-Directed IRAs & Solo 401(k)s vs. Traditional Plans a comprehensive guide to understanding your full range of retirement savings options, maximizing contribution limits, and taking control of your financial future beyond the stock market.

The Limitations of Traditional Retirement Plans

Traditional IRAs offer valuable tax-deferred growth and deductible contributions but their investment options are typically constrained to stocks, bonds, and mutual funds as dictated by the custodian. This structure, while reliable, leaves little room for investors seeking broader diversification.

Limited Investment Universe

Traditional plans restrict you to conventional assets, no real estate, private equity, or alternative investments that could enhance portfolio performance.

Ordinary Income Tax on Distributions

Withdrawals in retirement are taxed as ordinary income. It could be a potential disadvantage if tax rates rise or you find yourself in a higher bracket later in life.

Custodian-Controlled Choices

The custodian determines what you can invest in, leaving you dependent on their platform rather than your own investment judgment and expertise.

Self-Directed IRAs: Beyond the Stock Market

SDIRAs open the door to a dramatically expanded investment universe. From rental properties and private businesses to precious metals and cryptocurrency, these accounts empower investors to pursue opportunities simply unavailable inside a traditional IRA.



Real Estate

Purchase rental properties, commercial real estate, or land generating income and appreciation within a tax-advantaged account.



Precious Metals

Hold IRS-approved gold, silver, platinum, and palladium as a hedge against inflation and currency risk.



Cryptocurrency

Invest in Bitcoin and other digital assets, gaining exposure to emerging technologies within a structured retirement framework.



Private Equity

Take stakes in private companies and startups, accessing growth opportunities outside of public markets.

Solo 401(k)s: Powering the Self-Employed

Designed for You

Solo 401(k)s are purpose-built for business owners and self-employed individuals with no employees other than a spouse or business partner with ownership. It allows you to combine the power of both employee and employer contributions in a single plan.

The Roth 401(k) option also allows after-tax contributions for completely tax-free withdrawals in retirement giving you strategic flexibility at every income level.

2026 Contribution Limits

$72K

Annual Maximum

Total contribution ceiling for those under age 50

$80K

Age 50+ Catch-Up

Enhanced limit with catch-up contributions included

Both employee **and** employer contributions count toward these limits, maximizing your savings acceleration.

Key Advantages: Investment Flexibility and Control

While both account types offer meaningful advantages over traditional plans, they shine in different areas. Understanding these distinctions helps you choose the right vehicle or combine both for maximum impact.

SDIRA: Unmatched Investment Control

Directly manage and select alternative assets beyond what any traditional custodian offers. Advanced investors can even establish an LLC for **checkbook control** enabling near-instant investment decisions without custodian approval delays.

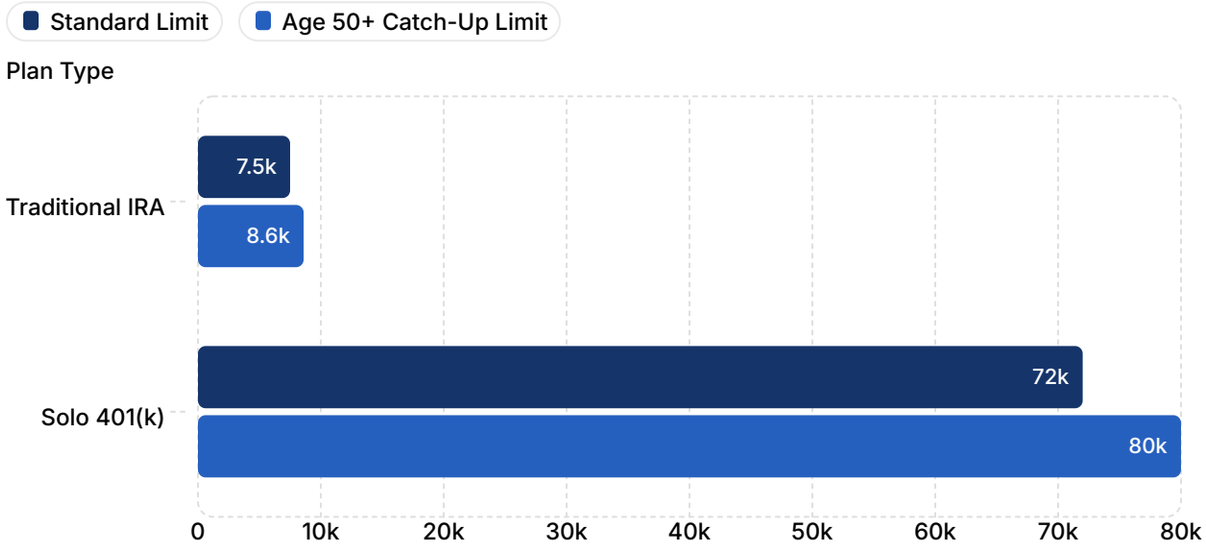


Solo 401(k): Wealth Acceleration Engine

The primary advantage is the industry-leading contribution limits. By making both employee *and* employer contributions, high-income self-employed individuals can shelter dramatically more income accelerating wealth accumulation faster than any IRA alternative.

Higher Contribution Limits: Accelerating Your Savings

The gap in annual contribution limits between traditional IRAs and Solo 401(k)s is substantial and for high-income self-employed individuals, that difference compounds dramatically over time.





The Solo 401(k) allows nearly **10x the contribution** of a Traditional IRA in 2026. For someone in a high income bracket, maximizing these contributions year over year creates a compounding savings advantage that traditional plans simply cannot match.

Tax Benefits: Maximizing Your Deductions and Growth

Each account type carries distinct tax characteristics. Choosing the right mix or layering strategies across account types can significantly reduce your lifetime tax burden.



Traditional IRA

- Tax-deductible contributions
- Tax-deferred growth over time
- Distributions taxed as ordinary income in retirement



Self-Directed IRA

- Same tax advantages as a Traditional IRA
- Additional benefit: alternative asset investing
- Roth SDIRA option for tax-free growth available



Solo 401(k)

- Pre-tax contributions reduce current taxable income
- Roth option for tax-free withdrawals in retirement
- Loan provisions available in many plan designs

Strategic tip: Combine a Solo 401(k) for high contribution limits with an SDIRA for alternative asset exposure to capture the best of both worlds.

Who Benefits Most?

Self-directed and Solo 401(k) plans aren't for everyone but for the right investor profiles, they represent a transformative upgrade over conventional retirement accounts.



Self-Employed & Small Business Owners

Sole proprietors, consultants, and entrepreneurs with no W-2 employees are ideal candidates for Solo 401(k)s — maximizing tax-sheltered savings on self-employment income.



Investors Seeking Diversification

Those eager to hold real estate, private equity, or alternative assets within a tax-advantaged structure will find SDIRAs an indispensable tool for portfolio expansion.



High-Income Earners

With contribution limits nearly 10x that of a traditional IRA, the Solo 401(k) is a powerful wealth-building engine for individuals generating significant self-employment income.

Navigating the Options: Key Considerations

Before opening a self-directed account, it's important to understand the eligibility requirements, knowledge demands, and administrative responsibilities involved. These plans offer great power and with it, greater responsibility.

ELIGIBILITY



SOLO 401k: Self-employment income, no employees (except spouse or partner).

SDIRA: Open to anyone with earned income.

INVESTMENT KNOWLEDGE



SDIRAs: Require due diligence on alternative assets, assets, prohibited transaction rules, and disqualified persons.

ADMIN COMPLEXITY



Solo 401k: May need Form 5500-EZ (assets >$250K).

SDIRAs: Specific custodian and compliance rules.

⚠ Be aware of **prohibited transaction rules** in SDIRAs investing with disqualified persons (family members, yourself) can trigger plan disqualification and significant tax penalties.

Taking Control of Your Financial Future

Traditional retirement plans offer a solid, time-tested foundation but Self-Directed IRAs and Solo 401(k)s unlock a higher level of flexibility, contribution potential, and strategic tax advantage that forward-thinking investors simply cannot ignore.

Greater Flexibility

Invest in what you know best —real estate, private equity, crypto, and more — beyond the constraints of a traditional custodian.

Higher Contributions

Solo 401(k) limits allow you to shelter dramatically more income each year, compounding your advantage over decades.

Stronger Tax Strategy

Layer pre-tax, Roth, and alternative asset strategies to minimize lifetime taxes and maximize net retirement wealth.

> By understanding the differences between these powerful accounts, self-employed individuals and savvy investors can build a more robust, diversified retirement portfolio and take genuine control of their financial future. If you'd like to open a Solo 401(k) or Self-directed IRA contact us at sepirak.com/contact and we will put you in touch with one of our partners!