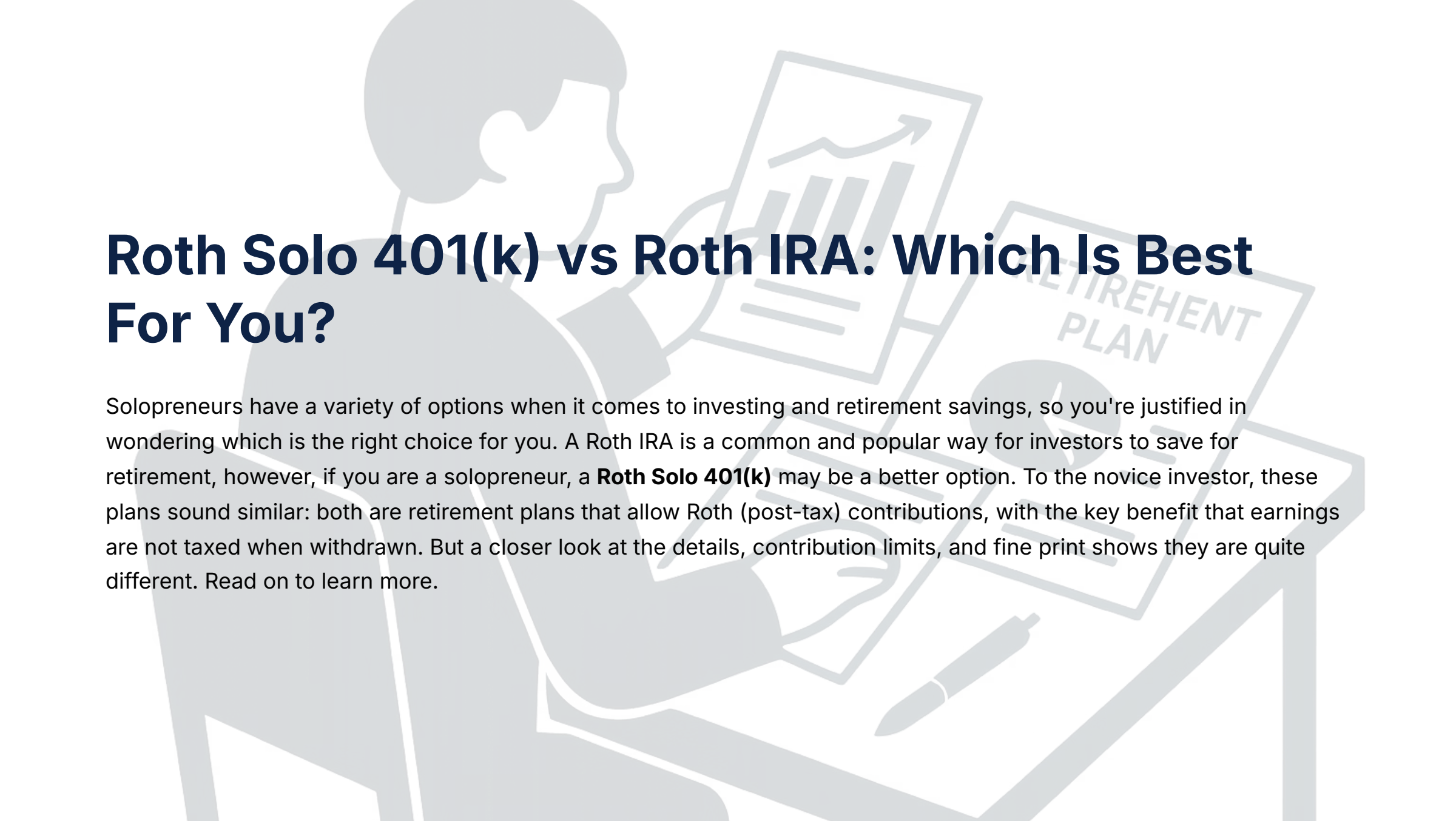
Roth Solo 401(k) vs Roth IRA: Which Is Best For You?



Solopreneurs have a variety of options when it comes to investing and retirement savings, so you're justified in wondering which is the right choice for you. A Roth IRA is a common and popular way for investors to save for retirement, however, if you are a solopreneur, a **Roth Solo 401(k)** may be a better option. To the novice investor, these plans sound similar: both are retirement plans that allow Roth (post-tax) contributions, with the key benefit that earnings are not taxed when withdrawn. But a closer look at the details, contribution limits, and fine print shows they are quite different. Read on to learn more.

What is a Solo 401(k)?

Like an employer-provided 401(k), a Solo 401(k) plan allows you to save for your retirement, invest, and reduce your taxable income. It is geared specifically toward the unique needs of self-employed individuals and micro-business owners. One of its most appealing features is that it permits an enrollee to wear **two contributor's hats**: one as an employee and another as an employer.

As an Employee of Your Business

Contribute up to **$24,500** ($32,500 if 50+; $35,750 if 60–63). Contributions can be pre-tax, post-tax (Roth), or a mix of both. These are also called "elective deferrals" and function similarly to a traditional employer 401(k). The limit is based on all deferrals across all plans combined.

As an Employer (of Yourself)

Contribute up to **25%** of your compensation if your business is incorporated (20% if not). These contributions can also be made on a pre-tax or post-tax (Roth) basis. Even the spouse of a participant can contribute, since the owner's spouse is also considered an owner.

As of **2026**, a Solo 401(k) allows total contributions up to **$72,000** — or **$80,000** if you're 50+, and **$83,250** if you're age 60–63. Because you contribute on both the employee and employer side, you can save far more than with a standard employer 401(k).

Roth Solo 401(k) vs Traditional Solo 401(k)

Not only can you make pre-tax contributions to lower your taxable income, but you also have the option to make your contribution as a **Roth (post-tax)** contribution. The biggest difference between the two plans is how and when you get taxed.

Traditional Solo 401(k)

Pre-tax contributions. You don't pay taxes now, but you pay taxes when you make withdrawals in retirement. This reduces your taxable income in the year you contribute a meaningful benefit if you expect to be in a lower tax bracket later.

Roth Solo 401(k)

Post-tax contributions. You pay taxes now, but you don't pay any taxes when you withdraw in retirement. You only receive this tax-free benefit if you've held the Roth for 5+ years and are either 59½, became disabled, or passed away.

By making a Roth contribution as early as possible, you can **"start the clock"** and receive your tax-free earnings once you are eligible to withdraw. One key advantage of the Solo 401(k) platform is that it supports Roth contributions whereas many competitors do not.

What is a Roth IRA?

Roth IRAs are similar to an ordinary IRA except for one key difference: Roth contributions are post-tax (so they cannot reduce your taxable income), however you are **not taxed** on the contribution and earnings when you withdraw your funds. The **2026** contribution limit for a Roth IRA is **$7,500** — much less than a Solo 401(k).

One important wrinkle with Roth IRAs is that if your income exceeds a certain amount, your contribution limit will change or disappear entirely.

Married Filing Jointly (2026)

- Under **$242,000**: Full contribution allowed
- **$242,000–$252,000**: Contribution is reduced
- **$252,000+**: Cannot contribute to a Roth IRA

Single / Head of Household (2026)

- Under **$153,000**: Full contribution allowed
- **$153,000–$168,000**: Contribution is reduced
- **$168,000+**: Cannot contribute to a Roth IRA

⚠ This income cap is the key downside to a Roth IRA — especially for solopreneurs whose income tends to grow over time. As your business succeeds, you may find yourself ineligible to contribute at all.

Key Differences: Roth IRA vs Roth Solo 401(k)

There are key differences to be aware of when comparing a Roth Solo 401(k) and a Roth IRA side by side for **2026**. The contrast in contribution limits alone makes this a critical decision for solopreneurs serious about retirement savings.

Feature	Roth IRA	Roth Solo 401(k)
Contribution Limit	$7,500	$72,000
Catch-Up Contribution	Yes, $1,100	Yes, $8,000 ($11,250 if age 60–63)
Loans Allowed?	No	Yes
Income Eligibility Limits?	Yes	No
Setup Deadline	On or before tax return due date plus extensions	On or before tax return due date plus extensions
Reporting & Record-Keeping	Required	Required

$72K

Solo 401(k) Limit

Total 2026 contribution cap for those under 50

$7.5K

Roth IRA Limit

Total 2026 contribution cap for eligible individuals

9.6x

Difference

Solo 401(k) allows nearly 10x more in annual contributions

Advantages of a Roth Solo 401(k)

Solo 401(k) plans offer a host of advantages compared to a Roth IRA. Here are the three most compelling reasons solopreneurs should consider this route.

Much Higher Contributions

You can contribute as both the employee and the employer of your business, which opens the door for significantly more savings. The contribution limits for a Solo 401(k) are nearly **10x higher** than those of a Roth IRA making it a very sound option for serious retirement savings and long-term wealth building.

No Income Limits

Unlike a Roth IRA, you can make Roth contributions to a Solo 401(k) **regardless of your income**. This is a critical advantage for solopreneurs, as your business grows and your income rises, you can quickly become ineligible for a Roth IRA. With a Solo 401(k), that's never a concern.

Loan Access

Solo 401(k) plans support **loans** that give you quick access to capital whether it's for business or personal use. A Roth IRA does not offer this feature, making the Solo 401(k) a more flexible financial tool for solopreneurs who may need liquidity.

Advantages of a Roth IRA

Compared to other IRAs, the key benefit of a Roth IRA is that because the dollars invested are post-taxed, you are **not taxed when withdrawing** your funds in the future. This tax-free growth is a meaningful long-term benefit for retirement savers.

That said, this benefit is largely moot when compared to a Roth Solo 401(k) — because Roth contributions to a Solo 401(k) provide the exact same tax-free withdrawal advantage, while also offering far higher contribution limits, no income restrictions, and loan access. For solopreneurs, the Roth Solo 401(k) captures all the upside of a Roth IRA and more.



Tax-Free Withdrawals

Post-tax contributions mean your money grows and is withdrawn completely tax-free in retirement — a powerful long-term benefit.



Flexible Timing

Roth IRAs can be set up and contributed to on or before your tax return due date plus extensions — giving you flexibility in planning.

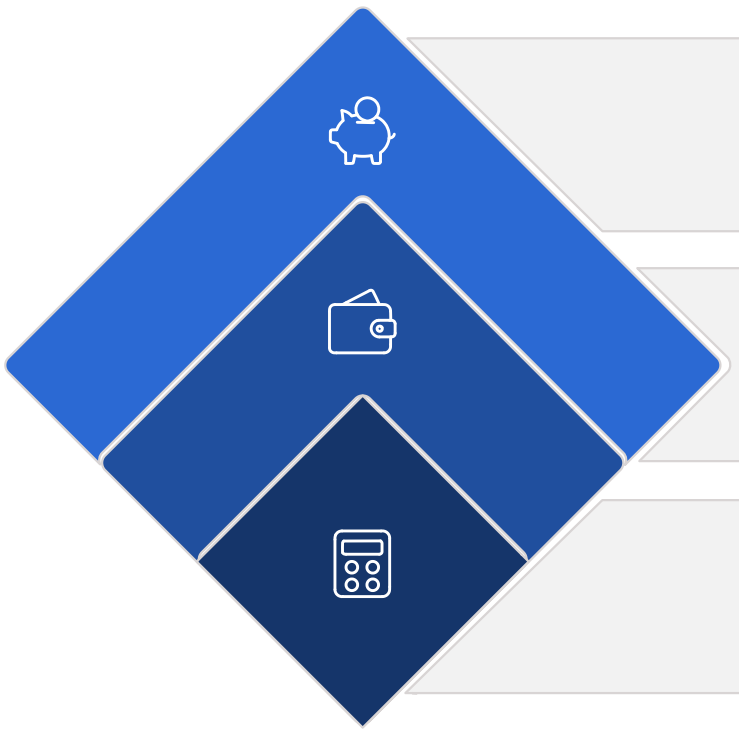


Simplicity

For those just starting out or with lower incomes, a Roth IRA is a straightforward, accessible entry point into tax-advantaged retirement saving.

Can You Have Both a Roth IRA and a Roth Solo 401(k)?

Yes! You can contribute to both a Roth IRA and a Solo 401(k) plan in the same year. This can be a powerful strategy for maximizing your tax-advantaged retirement savings. However, Roth IRAs have a catch: if your income makes you ineligible to contribute, then you can only contribute to a Solo 401(k) plan.



Above Threshold

Contribute to Roth Solo 401(k) only

Below Threshold

Contribute to Roth IRA and Roth Solo 401(k)

Check Income

Compare AGI to Roth IRA limit

If you find yourself unable to contribute to a Roth IRA due to income limits, you could also explore other IRA options such as a **SEP IRA** as a complementary vehicle alongside your Solo 401(k).

The ability to stack both accounts — when eligible — gives solopreneurs a powerful dual-track approach to retirement savings, maximizing both tax-free growth and total contribution amounts.

Which Should You Choose?

Ultimately it comes down to personal preferences, though due to the much higher contribution limits of a Solo 401(k), loan options, no income eligibility requirements to worry about, and the fact that you can still make Roth contributions, **we think a Solo 401(k) is a superior option** when saving for retirement as a solopreneur.

Higher Limits

Contribute up to $72,000/year — nearly 10x more than a Roth IRA

No Income Cap

Contribute regardless of how much your business earns

Loan Access

Tap your savings for business or personal needs when necessary

Roth Option

Still enjoy tax-free withdrawals in retirement with Roth contributions

How to Open a Solo 401(k) Plan

Opening a Solo 401(k) is easy! You can create an account in minutes on the **Guardian** platform to unlock serious retirement savings while letting the platform do the heavy lifting to ensure you remain compliant. Contact us at sepirak.com/contact and we will connect you with one of our partners. Start your journey toward financial independence today.