

**Solo 401(k) Plan Contribution
for the Self-Employed**

Step 1: Calculate your adjusted net profit (ANP).	$\text{Net profit} \times .9235 = \text{ANP}$	Example: 2009 or 2010 contribution for an individual age 50 with net profit of \$155,000 $\$155,000 \times .9235 = \$143,143$
Step 2: Calculate your self-employment (SE) tax. (Two parts)	Part I. Hospital insurance (HI) Tax Formula= $\text{Adjusted net profit} \times .029 = \text{HI tax}$ Part II. Old Age Survivor and Disability Insurance (OASDI) Tax Formula = $\text{ANP up to Taxable Wage Base} \times .124 = \text{OASDI tax}$ 2009 and 2010 Taxable Wage Base = \$106,800 Self-Employment (SE) Tax Formula $\text{HI Tax} + \text{OASDI Tax} = \text{SE Tax}$	$\$143,143 \times .029 = \$4,151 = \text{HI Tax}$ $\$106,800 \times .124 = \$13,243 = \text{OASDI Tax}$ $\$4,151 + \$13,243 = \$17,394 = \text{SE Tax}$
Step 3: Calculate your earned income (EI).	$\frac{\text{Net profit} - \frac{1}{2} \text{ SE Tax}}{1 + \text{contribution \%}} = \text{EI}$ 2009 and 2010 maximum amount of EI = \$245,000	$\frac{\$155,000 - \$8,697}{1.25} = \$117,042$ EI = lesser of \$245,000 or \$117,042
Step 4: Calculate your employee salary deferrals.	2009 and 2010 maximum deferral limit = 100% of EI up to \$16,500	\$16,500
Step 5: Calculate your profit sharing contribution.	$\text{EI} \times \text{contribution \%} = \text{Contribution}$ 2009 and 2010 maximum contribution = \$49,000	$\$117,042 \times .25 = \$29,261$ 2009 or 2010 maximum contribution = lesser of \$49,000 or \$29,261
Step 6: Calculate your maximum solo 401(k) contribution.	$\text{Salary deferrals} + \text{profit sharing contribution} = \text{solo 401(k) contributions}$ 2009 and 2010 maximum contribution = \$49,000 For 2009 and 2010, if age 50 or older, add an additional \$5,500 catch-up deferral.	$\$16,500 + \$29,261 = \$45,761$ 2009 or 2010 maximum contribution = lesser of \$49,000 or \$45,761 If 50 or older: \$45,761 + \$5,500 = \$51,261