
Your Firm Name, CPAs

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October 9, 2026

Sample Client

Re: Engagement for Owner-Only Retirement Plan Structuring (TY2026-TY2027), Sample Client

Dear Sample Client,

Thank you for letting us take a second look at the 2024 return. This letter covers one specific planning structure identified in that review: setting up an owner-only retirement plan for the consulting business, starting with a solo 401(k) for 2026 and potentially adding a cash-balance overlay in 2027. Nothing here is urgent this week; we will manage the deadlines with you.

This letter does not cover the separate amended-return items from the 2024 review or any other structure. If you want us to proceed on those, we will send a separate scope.

Services We Will Perform

- Review and document that your consulting Schedule C business has no common-law employees, no leased employees, and no other business under common control or an affiliated-service-group relationship, so the plan can be administered as a one-participant plan exempt from coverage, nondiscrimination and top-heavy testing, and advise on the Form 5500-EZ filing threshold. Authority: IRS Publication 560.
- Prepare and coordinate adoption of a written individual 401(k) plan document (profit-sharing plus 401(k) feature) through a custodian's prototype or volume-submitter document, with a plan effective date of January 1, 2026, and assist with opening the plan's trust/brokerage account. Authority: General Explanation of Tax Legislation Enacted in the 117th Congress (Joint Committee on Taxation, 118th Congress, 1st Session).
- Compute net earnings from self-employment for TY2026 (Schedule C net profit less the deductible half of SE tax) and model the maximum employer nonelective contribution, subject to the applicable annual-additions limit for 2026. Authority: IRS Publication 560.
- Before any startup-credit claim, test eligibility under the applicable credit provision and model the TY2026 result both with and without it, without building the funding decision on that credit. Authority: 26 U.S.C. § 45E.
- If, based on your age and compensation history, a cash-balance overlay is worth pursuing for TY2027, engage and coordinate with an enrolled actuary to design a plan sized to the applicable defined-benefit limit, and assist with adoption of the plan document by the end of the 2027 plan year. Authority: 26 CFR § 1.415(b)-1.
- Re-run the qualified business income computation each year the retirement contribution is funded, since the contribution reduces qualified business income and the deduction's value depends on where taxable income lands relative to the applicable thresholds for a consulting trade or business. Authority: IRB 2019-09.

We have not included, and this engagement does not cover, the salary-deferral election mechanics or the combined deduction-limit coordination between a defined-contribution and defined-benefit plan. Those items were excluded from the scope of this structure and, if you want them addressed, should be the subject of a separate, specific engagement once the underlying facts are confirmed.

What You Must Provide and Decide

- Your date of birth, which determines catch-up contribution eligibility and whether a cash-balance overlay would produce a meaningful benefit for you.
- Confirmation of whether you use any 1099 contractors or have any ownership interest in another business, so we can assess common-law employee status and any controlled-group or affiliated-service-group aggregation.
- Your state of residence, which is not reflected in any figure in this letter and may affect state tax treatment.
- Your actual TY2026 Schedule C profit figures as they develop during the year, since the contribution estimates in this letter are built on your TY2024 profit of \$180,000 as a stand-in and must be recomputed from actual TY2026 results.
- Your decision, by the deadlines below, on whether to proceed with plan adoption and, if applicable, the cash-balance overlay.

Timing and Deadlines

- Now through December 31, 2026: confirm no-employee status and execute the solo 401(k) plan document with a January 1, 2026 effective date.
- By October 15, 2027 (assuming the TY2026 return is extended): fund the employer nonelective contribution based on actual TY2026 net self-employment earnings.
- First half of 2027, document executed by December 31, 2027: if pursued, actuarial design and adoption of the cash-balance overlay.
- Total estimated build-out: 12 to 18 months across these phases.

TY2024 is not available for this structure. The elective-deferral year for 2024 ended December 31, 2024, and the return-due-date deadline for TY2024 plan adoption and employer funding passed on October 15, 2025. No late-relief mechanism reopens that deadline.

Fees

Service	Fee
Owner-only status review and documentation	[fee]
Plan document coordination and adoption assistance	[fee]
TY2026 contribution computation and funding support	[fee]
Credit eligibility testing and modeling	[fee]
Cash-balance overlay coordination with actuary (if pursued)	[fee]

Annual qualified business income re-computation

[fee]

What the Firm Must Confirm

- Your age, for §414(v) catch-up eligibility and for sizing any cash-balance overlay.
- The 2026 elective-deferral dollar limit and annual-additions limit, which must be taken from the current cost-of-living adjustment notice and do not appear in the retrieved material used for this letter.
- Whether SECURE 2.0 §317's first-plan-year deferral-election timing rule applies to your facts.
- Whether any 1099 workers are common-law employees, and whether any other business you own triggers controlled-group or affiliated-service-group aggregation.
- The interaction of the deduction limits and excise tax provisions applicable to funding more than one plan type in the same year, and the coverage status of an owner-only defined-benefit plan, before any cash-balance overlay is funded.
- Actual TY2026 Schedule C profit and marginal tax bracket, since the \$11,000 estimated benefit referenced in our review was built on TY2024 profit of \$180,000 as a stand-in figure.

Limits of This Engagement

We do not guarantee any particular tax outcome, deduction amount, or result from the Internal Revenue Service or any other taxing authority. Our work is limited to the services described above. We do not represent you before the Internal Revenue Service or any other taxing authority under this engagement; if representation becomes necessary, it will require a separate written engagement. All figures in this letter are estimates based on TY2024 facts as a stand-in for TY2026 and must be recomputed from actual TY2026 results.

This letter, once countersigned, authorizes us to begin the services described above. Please sign and return a copy to us at your convenience.

Enclosures

1. Signature page

Sincerely,

[Name], [Credential]

Your Firm Name, CPAs

Authorities cited in this letter

IRB 2019-09

• CPA TO CONFIRM

Figures are estimates for discussion and depend on facts we will confirm with you. This letter is not a guarantee of any outcome.