FINANCIAL LITERACY SERIES — LESSON 5

Investing 102

Where you put your money is just as important as how it's invested.

IRONCLAD NIL
ATHLETIC WEALTH ADVISORY

3–4 MIN READ • LESSON 5 OF 6

ROTH VS. TRADITIONAL

Two flavors. One big difference.

Both options exist inside a Solo 401(k). The right choice depends on where you are in your career.

TRADITIONAL

Pay taxes later.

HOW IT'S FUNDED

Pre-tax dollars. Reduces your taxable income today.

TAX TREATMENT

Grows tax-deferred. Taxed as ordinary income when you withdraw at 59½.

BEST FOR

Peak income athletes who expect a lower tax bracket in retirement.

VS

ROTH

Pay taxes now.

HOW IT'S FUNDED

After-tax dollars. No deduction today — but this money is tax-free forever.

TAX TREATMENT

Grows 100% tax-free. Withdrawals are also completely tax-free at 59½.

BEST FOR

Younger athletes whose income and tax rate will rise throughout their career.

ACCOUNT TYPE — BROKERAGE

Brokerage Account

No rules. No restrictions. Fully yours.

The most flexible account you'll ever open — but it comes with a tax trade-off.

WHEN YOU CAN TOUCH IT

Anytime.

No age requirements. No penalties. Buy, sell, and access your money whenever you want — even tomorrow.

HOW IT'S FUNDED

No limit.

After-tax dollars — from you. No annual contribution cap. Invest $1,000 or $1,000,000. There is no ceiling.

TAX RULES & LIMITS

Capital gains.

No upfront tax deduction. Profits taxed as capital gains. Hold 1+ year and pay 0–20% — far lower than income rates up to 37%.

ACCOUNT TYPE — SEP IRA (SIMPLIFIED EMPLOYEE PENSION)

SEP IRA

Big deductions. Simple setup. Built for self-employed.

Write one check. Slash your taxable income. No complex plan documents required.

WHEN YOU CAN TOUCH IT

Age 59½.

Withdraw penalty-free at 59½. Before that, expect a 10% early withdrawal penalty plus ordinary income tax on every dollar taken out.

HOW IT'S FUNDED

$72,000 max.

Employer only — that's you, as the business. Contribute up to 25% of net self-employment income, max $72,000 this year. No employee deferral.

TAX RULES & LIMITS

Pre-tax now.

Every dollar contributed reduces your taxable income today. Grows tax-deferred. Taxed as ordinary income when you withdraw in retirement.

ACCOUNT TYPE — SIMPLE IRA (SAVINGS INCENTIVE MATCH PLAN)

SIMPLE IRA

Employee and employer. Easy to run. Built for small teams.

A solid entry-level plan if you have staff — but it requires mandatory employer contributions.

WHEN YOU CAN TOUCH IT

Age 59½.

Penalty-free at 59½. Important: in the first 2 years after opening, early withdrawals carry a 25% penalty — not the usual 10%. Plan ahead.

HOW IT'S FUNDED

$16,000/yr.

Employee defers up to $16,000/yr. Employer must also contribute — either matching up to 3% of salary OR a flat 2% for all eligible employees.

TAX RULES & LIMITS

Pre-tax now.

Pre-tax contributions lower taxable income today. Tax-deferred growth. For businesses with ≤100 employees only. Cannot run alongside another plan.

ACCOUNT TYPE — SOLO 401(K) / INDIVIDUAL 401(K)

Solo 401(k)

The most powerful account for a one-person business.

If you're a business owner with no W-2 employees, this is your best tool. Period.

WHEN YOU CAN TOUCH IT

Age 59½.

Penalty-free at 59½. Before that, 10% penalty. Unique perk: borrow up to 50% of your balance (max $50,000) and repay yourself.

HOW IT'S FUNDED

$72,000 max.

You contribute as employee ($23,000 deferral) AND employer (25% of net income). Total cap: $72,000 this year. Age 50+? Add $7,500 more.

TAX RULES & LIMITS

Pre-tax or Roth.

Your choice: Traditional (deductible now, taxed later) OR Roth (after-tax, tax-free growth). Only for businesses with no W-2 employees beyond owner and spouse.

AT A GLANCE

Four accounts.

Pick the account that fits your business structure and tax goals.

Account	Current Limit	Who Contributes	Tax Benefit	Early Penalty
Brokerage	Unlimited	You (after-tax)	Capital gains on profits	None — access anytime
SEP IRA	$72,000 max (25% of income)	You as employer	Pre-tax deduction; taxed on withdrawal	10% before age 59½
SIMPLE IRA	$16,000 employee + employer match	Employee + employer	Pre-tax deduction; taxed on withdrawal	25% (yrs 1–2), then 10%
Solo 401(k)	$72,000 total ($23K + employer)	You as both	Pre-tax OR Roth your choice	10% before 59½ Loans up to $50K

TRAVIS'S PLAYBOOK

Here's what Travis does with his $700K in NIL income.

The right accounts — stacked in the right order — keep more money working for him.

ACCOUNT #1 — PRIMARY

Solo 401(k)

Employee deferral:	$24,500/yr
Employer contribution:	$47,500 (max 25% of $200,000 W-2 salary)
Tax deduction:	= $72,000 tax deduction with approximately $26,000 in tax savings

ACCOUNT #2 — OVERFLOW

Brokerage Account

After maxing his Solo 401(k), Travis invests the rest in a taxable brokerage investment account.

No contribution cap. Full flexibility. Long-term capital gains rates on profits instead of ordinary income rates.

TRAVIS'S SOLO 401(K) — THE NUMBERS

One move. A $26,640 tax break today. $5M in 40 years.

Travis maxes his Solo 401(k) every year of his NIL career — as both employee and employer.

CONTRIBUTION BREAKDOWN

Employee deferral (Travis)	**$24,500**
Employer contribution (also Travis)	**$47,500**
Total 401(k) deduction	**$72,000**

TAX IMPACT ON $700K INCOME

NIL income	**$700,000**
Solo 401(k) deduction	**– $72,000**
Taxable income	**$628,000**
Federal tax saved at 37%	**$26,640**

THE LONG GAME — 40 YEARS AT 8%

$72K/year × 4 years of NIL contributions

$5,180,715

$288,000
total contributed over 4 years

$4,892,715
tax-sheltered investment growth

Assumes 8% avg annual return over 40 years. For illustration only.

HOW TO CHOOSE

Match the account to your situation.

Not the other way around. Start with these four questions.

Just you — or you and your spouse?

Solo 401(k)

Maximum contribution. Roth option. Loan flexibility. The clear winner for sole operators with no staff.

Self-employed, want a simple setup?

SEP IRA

One employer contribution. No employee deferral to manage. Great for high-income athletes who want an easy win.

Have employees you want to cover?

SIMPLE IRA

Entry-level team plan. Easy to administer. Required employer match keeps your whole team invested alongside you.

Already maxed your retirement accounts?

Brokerage Account

No limits. Full access. After you've sheltered the maximum, this is where the rest of your NIL money goes.

WORK WITH US

Your accounts should work as hard as you.

We build your investment account strategy.

IroncladNIL identifies the right accounts for your income, your business structure, and your tax goals.

- Determine which account(s) are right for your situation
- Maximize tax-advantaged contributions every year
- Automate contributions tied to your NIL income
- Review and optimize your full strategy annually

Book Your Free Strategy Session

What's in This Series

ironcladnil.com

IRONCLAD NIL

Athletic Wealth Advisory