

SEP IRAs

Simplified employee pension (SEP) plans are ideal for self-employed individuals and small businesses because they offer many of the advantages of qualified retirement plans without as many reporting and disclosure requirements.

Simple to administer

Less expensive to maintain

No government reporting

Discretionary contributions from year to year

Tax deduction for the employer on plan contributions

Tax-deferred contributions and earnings for the employees

Simplified Eligibility –

All employees generally are eligible to participate. But an employer may choose to place certain restrictions on eligibility. Any restrictions must apply to all employees, including the business owner.

The following eligibility requirements are the most restrictive allowed for a SEP plan; an employer can be less restrictive or not apply any restrictions.

- Employees must be at least age 21
- Employees must have worked three of the immediately preceding five years
- Employees must earn at least \$550* for 2014 and \$600* for 2015.
- Employees must not be covered by a collective bargaining agreement or non-resident aliens.

Simplified Contributions –

Should you choose to make SEP plan contribution for the year, you must make a contribution on behalf of each eligible employee. Each employee must establish a Traditional IRA to receive the contributions. If an employee is unwilling or unable to establish an IRA, the employer may set up a Traditional IRA on behalf of the employee.

Employers have until their business's federal tax return due date, including extensions, to make contributions each year.

The contribution limit per employee is the lesser of:

- 25% of the employee's compensation up to a defined compensation cap* (\$260,000 for 2014 and \$265,000 for 2015) **or**
- A set dollar amount* (\$52,000 for 2014 and \$53,000 for 2015).

A SEP plan does not allow for employee deferrals, but employees are allowed to make separate Traditional IRA contributions. And once SEP plan contributions are in the Traditional IRA, they are treated as Traditional IRA assets, subject to the same rules as Traditional IRAs, especially when it comes to moving or withdrawing the assets.

To Begin Your SEP Plan

- Set up a SEP plan for your business by signing a written agreement
- Provide your employees information about the plan
- Have each eligible employee establish a Traditional IRA
- Decide whether to contribute and how much to contribute each year.

Consider talking with your financial advisor about eligibility, contributions, and whether a SEP plan is right for your business.

**These limits are subject to annual cost-of-living adjustments.*