



SIMPLE-IRA

A Retirement Plan for Small-Business Owners

PENSIONSPECIALIST.NET

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What is a SIMPLE plan?

It is a **S**avings **I**ncentive **M**atch **P**lan for **E**mployees.

How they Work:

- An employee may make a tax deductible contribution to an IRA for retirement.
- Mandatory employer contributions are tax deductible to the business.
- Employer contributions are not taxed currently to the participants.
- Earnings accumulate tax deferred.
- Participant contributions must be deposited by the employer within 30 days after the end of the month for which the contribution was made.

Advantages to Employer:

- Only contribute for those employees who choose to participate.
- Unlike 401(k), the employer knows in advance approximately what the financial commitment will be.
- Employer contribution is tax deductible.
- The plan is easily understood by employees.
- Helps attract and retain good employees.
- Virtually no administration costs.

Advantages to Employee:

- Participant deferrals are made with pretax dollars.
- Employee contributions are not income taxable to participant.
- Retirement benefits may receive tax-favored treatment.
- Participants have right to direct investments.
- Participants may also have a deductible IRA, subject to income level and filing status.

Generally, employees earning more than \$5,000 must be offered the plan. They may or may not choose to participate.

Contributions:

Typically, employers must contribute either 2% of compensation for all eligible employees or match an employee's contribution dollar for dollar not to exceed 3% of an employee's. Employees may defer from their income up to \$17,000 (2026) and, if age 50-59, 64+, an additional "catch-up" contribution of \$4,000 for a total of \$21,000. Employees age 60-64 may defer an additional "catch-up" contribution of \$5,250 for a total of \$22,250.

If you are a small business owner with 100 or fewer employees, the SIMPLE-IRA may be the ideal retirement plan for you. With a SIMPLE-IRA, you can establish a retirement plan without the complications and expenses of standard pension plans.

CALL US TO SET UP YOUR SIMPLE-IRA PLAN TODAY!

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