

## What Is a SEP IRA?

If you are a small business owner, investing for a financially secure retirement is everyone's responsibility— but for small businesses, traditional retirement plans are often perceived as too costly or complex to implement.

- The Small Business Simplified Employee Pension (SEP) plan provides an affordable, easy-to-manage solution to help you work toward the retirement you want.
- A SEP is a flexible, cost-effective retirement plan that offers you and your employees (if you have them) an opportunity to build retirement assets through tax-deferred growth.
- With a SEP, employer contributions are made directly to traditional IRAs (individual retirement accounts) that you set up for yourself and each eligible employee.
- One of the flexible features of a SEP is that you are not locked into making contributions every year. In fact, each year you decide whether to and how much to contribute. This may make a SEP an appropriate option for businesses with variable cash flow.

### ***What are you looking for in a retirement plan?***

- Potential tax benefits
- Flexibility
- Simple setup
- High contribution limits

**Virtually any type of business, sole proprietors, small businesses, partnerships, nonprofits, S and C corporations - can set up a SEP.**

## Benefits to Your Business

### **Tax benefits**

- Contributions you make to the individual accounts under your SEP are generally tax-deductible by the business.
- Your business may be eligible for a tax credit of up to \$500 for each of the first three years if this is your first SEP and you have 100 or fewer employees
- You can establish a SEP and make contributions by your business tax-filing deadline, (April 15th or October 15th) including extensions, to take advantage of the potential tax opportunities for the preceding calendar year.

### Flexible contribution options

- Flexibility to contribute as your cash flow allows. You can choose to contribute only during profitable years, or even change the amount of your contribution from year-to-year based on your company's financial performance.
- Flexibility in calculating contributions to meet the needs of your workforce.
- Limited liability.
- Employees exercise control over the investment direction and distribution of assets in their individual SEP accounts, which may limit your liability as to the plan sponsor.

## Benefits to You and Your Employees

### High contribution limits

- You may contribute annually the lesser of 25% of compensation or 20% of net earnings from self-employment or **\$69,000** for yourself and each eligible employee for **2024** (\$66,000 for 2023) up to your tax-filing deadline, including extensions.
- Rollover contributions are permitted

### Tax benefits

- Contributions have the potential of growing tax-deferred until withdrawn.
- Taxes are paid on distributions when withdrawn, at which time you may be in a lower tax bracket.

### Power of compounding

- While you work, your SEP account is also working. With compounding, earnings realized on investments - including interest, dividends, or other returns - may then accumulate additional earnings.

### Investment choices and flexibility

- Employees can control how they invest their assets and may choose to invest in a variety of investment options.
- All contributions are 100% vested immediately.

### Eligibility

- At least 21 years of age.
- Earn a minimum of \$750 annual compensation.
- Worked for the company in at least three of the past five years.