

What Is a SEP IRA?

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 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 \$57,000 for yourself and each eligible employee for 2020 (\$56,000 for 2019) 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 \$600 annual compensation.
- Worked for the company in at least three of the past five years.

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