

# Maximize your savings with a **SEP IRA**.

## What is a SEP IRA?

A Simplified Employee Pension (SEP) IRA is a retirement plan for self-employed individuals and small business owners with or without employees and is completely funded by the owner with tax-deductible contributions. These contributions grow tax-deferred while in the plan.

## Who is a SEP IRA best suited for?

- Sole proprietors
- Freelancers
- Independent contractors
- Self-employed individuals
- Part-time business owners
- Individuals earning self-employment income from side jobs outside of their full-time jobs
- Small businesses with no current business retirement plan

## What are the key benefits of a SEP IRA?

- It offers **tax-deductible contributions** for your business (or for you if you are a sole proprietor) and **tax-deferred growth potential** on account balances
- **Flexibility** eliminates the need to make contributions every year, and the amount contributed can change year to year. This makes it a smart option to consider for businesses with varying profits.
- It's **easy to set up** and **easy to maintain**. You don't need to file the plan or additional paperwork with the IRS. TD Ameritrade will take care of the required contribution and distribution filings for you.
- There are **no setup or account maintenance fees** at TD Ameritrade. Commissions, service fees, and exception fees still apply.



**Tax-deductible contributions:**  
up to **\$66,000** for 2023  
(\$61,000 for 2022)



**Minimal paperwork and plan maintenance**



**Flexible contributions:**  
only contribute when  
it's right for you

## What do I need to know about contributions?

- For tax year 2023, the contribution limit is the lesser of 25% of compensation or \$66,000 (\$61,000 for 2022)
- SEP contributions are discretionary each year and must come from the employer only
- No employees may make SEP contributions or deferrals
- The contribution deadline is the employer's tax filing deadline, including extensions (for example: for sole proprietors for the 2022 tax year, April 18, 2023, or until October 16, 2023, if an extension was obtained). Note: A new plan may be set up by this date as well.
- Calculating contributions and determining employee eligibility in your business retirement plan can be simplified with the **Small Business Retirement Contribution Calculator**
- Contact your accountant or tax advisor to learn more about what makes sense for your business and circumstances
- Note: Currently, the SEP IRA does not allow Roth contributions

## How are rollovers and transfers handled?

- A SEP IRA is a form of IRA that may accept rollovers and transfers into the plan
- You may also roll over or transfer your SEP IRA to another SEP IRA or to a traditional IRA

## What about distributions?

- Distributions from a SEP IRA may be subject to tax and a 10% early withdrawal penalty if you are under age 59½, but exceptions may apply
- Required minimum distributions (RMDs) start at age 73 (unless you turned 72 prior to January 1, 2023; then your RMDs must begin by age 72). Those who turned 70½ prior to January 1, 2020, had to start RMDs at age 70½.

## How do I set up a SEP IRA?

Apply online at [tdameritrade.com/smallbusiness](https://tdameritrade.com/smallbusiness) or by completing and mailing in the [IRA form](#).\* Be sure to select SEP IRA under the type of IRA.

1. TD Ameritrade will send you the IRS Form 5305-SEP. You must complete, sign, and retain the form for your records.
2. You may fund the SEP upon opening the account or after the SEP has been established via check, direct deposit, or wire transfer. Download the deposit form [here](#).

If you have eligible employees, you will need to provide each employee with a copy of the completed Form [5305-SEP](#) and ask them to open a SEP IRA employee account. As an employer, you are required to make contributions into your eligible employees' SEP IRAs whenever you do so for yourself.

## Where can I get additional information?

Please refer to IRS Publication [560](#), Publication [4333](#), and the IRS page on [SEP IRAs](#) for details.

## Special information for business owners with employees

### Which of my employees must be included?

- Employees must be included in the plan (including the employer) if they have:
  - Reached age 21
  - Worked a minimum of one hour for the employer in at least three of the previous five years
  - Received at least \$750 in compensation from the employer during 2023 (the year the employer is making the contribution, or at least \$650 in 2022 if contribution is for 2022)
- An employer can use less restrictive participation requirements than those listed above but not more restrictive ones. For example, an employer could change the service requirements to:
  - Two out of the previous five years of service
  - One out of the previous five years of service
  - Zero yearsAn employer could change the minimum age required to:
  - 20, 19, 18, or even no age requirement
- An employer can exclude union employees and nonresident aliens but must include part-time and seasonal workers, as well as workers no longer employed at the end of the year if they meet the eligibility requirements above\*\*
- Tip: If you or your spouse own multiple businesses, you may have to cover all of your employees for all owned businesses under this plan. Consult a tax advisor for more details.

*Remember: The business owner must also meet all requirements to qualify for a contribution.*

Apply online at [tdameritrade.com/smallbusiness](https://tdameritrade.com/smallbusiness) or give us a call at [800-472-0586](tel:800-472-0586).



\* Download the form at [tdameritrade.com/retail-en\\_us/resources/pdf/TDA586.pdf](https://tdameritrade.com/retail-en_us/resources/pdf/TDA586.pdf).

\*\* The following may be excluded from the plan: union employees whose retirement benefits were collectively bargained for in good faith by the employees' union and the employer and nonresident alien employees who do not have U.S. income from the employer.

TD Ameritrade does not provide tax advice. You may wish to consult a tax advisor regarding your specific circumstances.

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