

Match employee contributions with a **SIMPLE IRA**.

What is a SIMPLE IRA?

A Savings Incentive Match Plan for Employees (SIMPLE) IRA is an easy-to-administer salary deferral retirement plan that allows both the employer and employees to contribute to employee retirement accounts. There are tax benefits for employer contributions and for employees who make pretax contributions. This plan is ideal for small business owners with steady profits who want to allow pretax employee contributions like 401(k) plans do. Your business may deduct all contributions made to the plan as long as IRS contribution limits are not exceeded.

Who is a SIMPLE IRA best suited for?

The plan is best suited for small business owners—with up to 100 employees and steady profits—who want their employees to be able to contribute to a company retirement plan.

What are the key benefits of a SIMPLE IRA?

- A SIMPLE IRA offers **tax-deductible contributions** for your business, **pretax contributions** for your employees, and **tax-deferred growth potential** on contributions
- Employees are not required to make contributions and are always 100% vested in their SIMPLE IRA money
- By choosing the match, employers only contribute to those employees who also contribute for themselves. The employer matches their own pretax deferral contribution as well.
- There are **no special employer IRS tax filing requirements**
- There are no setup or account maintenance fees. Commissions, service fees, and exception fees may apply.

What do I need to know about contributions?

- Employees may contribute up to \$15,500 per year in salary deferrals, or \$19,000 for employees age 50 and up for the 2023 tax year. (For 2022, the deferral limit is \$14,000, or \$17,000 for age 50 and up.) If an employee makes salary deferrals in another company's 401(k) plan during the year, the total amount of deferrals for all plans cannot exceed \$22,500 for the 2023 tax year (\$30,000 if age 50 and up). For 2022, the maximum deferral limit in all plans is \$20,500 (\$27,000 if age 50 and up).



Employee salary deferrals, plus employer contributions

Tax-deductible contributions

No hidden fees

- Employers must make contributions to employee accounts in one of two ways:
 - Employers must match employees' contributions dollar for dollar up to 3% of each employee's compensation (which can be reduced to 1% in any two out of five years), OR
 - Employers must make contributions for **all** employees, including those who do not make contributions, in a nonelective amount of 2% of each employee's compensation
- Business owners may not make both match and nonelective contributions in the same year. You also cannot make a larger match or nonelective contribution than the IRS limit.
- Employer contributions (match or nonelective) must be made prior to the employer's tax filing deadline, including extensions. Employee salary deferrals must be contributed as soon as possible after withholding from the employee's pay.
- 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 SIMPLE IRA is a form of IRA that may accept rollovers and transfers into the plan but only **from other SIMPLE IRA plans**
- **If you've had a SIMPLE IRA for at least two years**, you may roll over or transfer your plan to a traditional IRA or another SIMPLE IRA. Prior to two years, however, you may only roll over or transfer your plan to another SIMPLE IRA.

What about distributions?

- Distributions from a SIMPLE IRA may be subject to tax and a 10% early withdrawal penalty if you are under age 59½, but exceptions may apply. This IRS penalty is increased to 25% if you have not had your SIMPLE IRA account for at least two years.
- 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 SIMPLE IRA?

1. Apply online at tdameritrade.com/smallbusiness to open your plan. Be sure to select SIMPLE IRA as your plan type and provide a valid email address for us to send you forms to finalize the application process. Your employees will also open their SIMPLE IRA individual accounts at the same page.
2. TD Ameritrade will send you the IRS Form **5304-SIMPLE**. You will need to complete and sign it, retaining it in your permanent plan file in case of IRS audit. Please do not return it to TD Ameritrade.
3. You may fund the SIMPLE IRA upon opening the account or after the SIMPLE IRA has been established via check or direct deposit. Please note: The employer will need to send in the employee deferral contributions on a timely basis per IRS/Department of Labor guidance, typically no later than 30 days after the month the amount would have been payable to the employee had it not been deferred.

Your eligible employees must each complete and provide you with their deferral percentage and their SIMPLE IRA account number so you know how much to take out and deposit to their plan. When you send in the check/wire, provide a detailed breakdown by using the **SIMPLE/SEP contribution worksheet** so that we can credit the employee accounts correctly.

Where can I get additional information?

- Please refer to IRS Publications **560** and **4334** and the IRS page on **SIMPLE IRAs** for details

Which of my employees can participate?

- Eligible employees include those who:
 - Earned at least \$5,000 in compensation during any two years before the current calendar year and
 - Expect to receive at least \$5,000 in compensation during the current calendar year
- An employer can use less restrictive participation requirements than those listed above but not more restrictive ones. For example, an employer can eliminate or reduce the prior or current year compensation amounts.
- Nonresident aliens are generally excluded from the plan. An employer may also choose to exclude certain union employees.*
- Tip: If you own multiple businesses, you may have to cover all of your employees under this plan. Consult a tax advisor for more details.

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

What are the annual requirements?

Before the beginning of each annual “election period,” which starts 60 days before the calendar year begins (usually by November 2), you must provide each employee with the following information:

- Their opportunity to make or change a salary reduction choice under the SIMPLE IRA plan for the upcoming year
- Their ability to select a financial institution that will serve as trustee of their SIMPLE IRA
- Your decision to make either matched or nonelective contributions in the next year
- A completed summary description (please note that a partially completed version is provided to employers by TD Ameritrade each year)

Apply online at tdameritrade.com/smallbusiness or give us a call at **800-472-0586**.



Review and complete all plan documents and applications carefully.

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

* 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.

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