

SIMPLE IRA ... WHAT YOU NEED TO KNOW

A SIMPLE IRA is often an effective “stepping stone” to a more sophisticated 401(k) plan. It is suited to businesses that want to offer employees the opportunity to save for retirement, but whose owners and KEY employees are not likely to “max out” at the lower contribution limits for tax-deferred saving.

IMPLEMENTATION DEADLINE: October 1st

SIMPLE IRA - Advantages to Business Owners

- Simple to establish and maintain
- Tax-deferred saving
- Lower operating expenses than a 401(k) plan
- Contributions are tax deductible to the employer
- No Discrimination testing
- Not subject to top-heavy rules
- No annual 5500 filing requirements

Employer Limitations

- No more than 100 employees who earned \$5,000 or more during the preceding 2 calendar years
- No company or employee contributions can be made to an existing retirement plan during the calendar year(s) in which the SIMPLE is established or operating

Maximum Eligibility Requirements

- Any employee who has earned \$5,000 in compensation for any two preceding years and who is expected to earn \$5,000 in the current calendar year is eligible to participate in the plan

2019 Contributions

Employee

- For any employee under the age of 50, the maximum annual contribution for is \$13,000
- For any employee 50 years of age or over, the maximum annual contribution is \$16,000
- Employee contributions are not mandatory
- Contributions are tax-deductible

Employer

- Employer must select one of the following contribution options:
 - \$1 for \$1 match up to 3% of gross pay for each participating employee
- OR**
- 2% non-elective contribution for all employees

● Matching contributions must be made by tax-filing date plus extensions

- Contributions are tax-deductible to the employer

Operating Expenses

- One-time implementation fee
- Monthly fee to be paid by employer - \$100
- Asset-based fee – 1.0% annually

