

Simplified Employee Pension (SEP-IRA) - 2019

SEP-IRAs are advantageous for small or family owned businesses looking for a low cost alternative to a Profit Sharing Plan.

This plan is solely funded by employer contributions, offering:

- Ease of administration and no required annual government filings
- Tax deductible employer contributions
- Participant-directed accounts
- Contributions are immediately 100% vested
- Eligibility requirements to reward long-term employees

IDEAL EMPLOYER PROFILE

- Small businesses which are looking for a plan that is low cost and offers simplicity to set-up and maintain
- A small business owner who desires complete flexibility in the level of funding from year to year and doesn't mind making the same percentage contribution to themselves as to their employees. All contributions are made by the employer.

ELIGIBILITY

- SEP-IRA plans allow for an unlimited amount of participants, but are well suited for very small organizations
- An employee who is at least 21 years of age and earned \$600 (for 2018) in three (3) of the last five (5) years must be made eligible. A plan can allow for more lenient eligibility requirements

CONTRIBUTIONS

- All contributions are made by the employer
- An incorporated employer may contribute and deduct up to 25% of compensation (capped for calculation at \$280,000) up to \$56,000
- A sole proprietorship may contribute and deduct up to 20% of net earnings from self-employment (net profit minus deduction for self-employment tax)
- All contributions are immediately 100% vested

PLAN ADMINISTRATION

Administration of the plan is minimal and contributions are typically made only once per year by the business' tax filing due date (including extensions). SEP-IRA plans do not require IRS reporting, and vesting, loan or hardship provisions do not exist. SEP-IRAs follow the same distribution rules and exceptions as a Traditional IRA.

INVESTMENT FLEXIBILITY

A SEP-IRA Plan can be established in a Baird Self-Directed account, offering a vast array of investment choices, including stocks, bonds, annuities, mutual funds, ETFs (Exchange Traded Funds). Or, your SEP-IRA account can be established at a recommended mutual fund family.

This is a basic overview of plan guidelines and is not a complete discussion of SEP IRAs. For more information, contact your Baird Financial Advisor.