

SEP/SIMPLE

What is a SEP IRA?

A simplified employee pension (SEP) is a written plan that allows small-business owners to make retirement contributions to traditional IRAs (SEP-IRAs) set up for themselves and for each eligible employee. These contributions may be deducted from your business's income and excluded from your employees' income. A SEP may not only provide you a tax-advantaged way to save for your own retirement, but may also help you attract and retain qualified employees by providing for their retirements. It may help your business avoid some of the complexities posed by certain other employer-sponsored retirement plans.

Who can establish a SEP? You can establish a SEP if you are an employer or you have self-employment income. "Employer" includes a sole proprietor, a partnership, a C corporation, an S corporation, a limited liability company, and a limited liability partnership. You do not need employees to set up a SEP, but if you do have them, all eligible employees must be included as SEP participants.

How much can I contribute to a SEP?

You can contribute up to 25% of compensation to an employee's SEP IRA. If you are self-employed, contributions to your own SEP-IRA are calculated differently. Your compensation is considered your net earnings from self-employment and represent the net income you earned in the business that established the SEP, less the deduction for contributions to your SEP and the deduction allowed to you for one-half of the self-employment tax. A SEP may not only provide you with a tax-advantaged way to save for your own retirement, but may also help you attract and retain qualified employees by providing for their retirements. For the most up-to-date tax contribution information, please visit our [Tax Center](#).

SIMPLE IRA Plans

Employer Type: employers with 100 employees or less

SIMPLE IRA plans offer a plan for small employers that is easy to administer and more cost effective than 401(k) plans. With SIMPLE plans is also known as the Savings Incentive Match Plan for Employees of Small Employers. You promise to match employee contributions dollar for dollar up to 3% of pay, or to make a "nonelective" contribution for all eligible employees, whether or not they contribute, equal to 2% of pay. It's important to note that the employer can only contribute a maximum of 3% per employee per year.

How Much can Your Employees Contribute?

A SIMPLE IRA plan lets your employees earning at least \$5,000 defer compensation, and offers catch up contributions for those age 50 or older. SIMPLE plans allow for pretax contributions and tax deferred investing with no discrimination testing and no plan administrative fees. For the most up-to-date tax contribution information, please visit our [Tax Center](#).

- [SEP/SIMPLE and 401\(k\) Comparison Chart](#)

For more information on setting up a SEP or SIMPLE Plan, contact us at 800.747.5164, option 3.

Related Products

- [Security Benefit Advisor Mutual Fund Program for Individuals](#)

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