

MERRILL SMALL BUSINESS SIMPLE IRA

# Keep retirement planning simple

If you're a small business owner who wants to help your employees plan for retirement, consider a Savings Incentive Match Plan for Employees (SIMPLE) IRA. A SIMPLE IRA is an affordable retirement solution designed to fit the needs of small businesses.

Contributions are made to individual retirement accounts (IRAs) that are set up for you and your eligible employees. The simplified IRA structure makes SIMPLE IRA a reasonable option for small business owners looking for a low-maintenance, low-cost plan that offers the potential tax benefits and compounding growth you would want from your retirement plan.

In a SIMPLE IRA, you are required to make contributions to the plan on behalf of your employees. Employees can also make their own contributions through convenient payroll deductions.

## Is a SIMPLE IRA right for your business?

A SIMPLE IRA may help you and your employees start working toward a desirable retirement. This streamlined plan requires minimal administration, allowing you to stay focused on running your business. Reviewing the requirements of a SIMPLE IRA may also help you evaluate if it's the right plan for your business.<sup>1</sup>

Features include:

- Potential tax benefits
- Minimal paperwork and administration
- Cost-effective way to help attract and retain employees
- Employee tax-deferred contributions through convenient payroll deductions
- Mandatory employer contribution with your choice of two contribution options

Almost any type of business (including sole proprietors) with 100 or fewer employees, earning at least \$5,000 during any two preceding calendar years, can establish a SIMPLE IRA.

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## Time-saving services help make operating your plan easier

Merrill provides simplified services, so you can stay focused on running your business.

### Merrill Lynch E-Contribs for Small Business Retirement Accounts™

A free service that provides small business owners with a convenient web-based solution for making contributions to retirement plan accounts.

### Automated investment program

Provides a systematic way to invest in mutual funds on a schedule based on your needs.

### Managed money solutions

Offers discretionary, fee-based investment services.

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<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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Effective January 1, 2024, employers will be able to increase nonelective contributions to each eligible employee of a plan in a uniform manner, provided that the contribution does not exceed the lesser of 10% of compensation or \$5,000 (indexed for inflation).<sup>2</sup>

Consider a SIMPLE IRA if your business has steady income to help you meet your commitment to funding the plan.

Benefits to your business

Potential Tax benefits

- Contributions you make to the individual accounts in your SIMPLE IRA are generally tax deductible by the business.
- Your business may be eligible for a plan startup tax credit of up to \$5,000 for each of the first three years if this is your first SIMPLE IRA.<sup>3</sup>
- Employers who start a new plan can receive a tax credit for 5 years of up to \$1,000 per employee equal to the applicable percentage of eligible employer contributions to an eligible employer plan. This credit applies to employers with up to

50 employees and is phased out for employers with between 51 and 100 employees. There is an exception for employees with wages in excess of \$100,000.

Low fees, less paperwork

- No plan setup fee or administrative fees.
- Account-level fees may also apply for certain transactions, including account closure.
- Generally less ongoing administration as compared to other employer-sponsored retirement plans, such as a 401(k).
- No requirement for certain Internal Revenue Service (IRS) testing and Form 5500 filing.
- Access your plan information through a secure platform.

Competitive edge

- Over half of business owners say they are continuing to feel the impacts of labor shortages, forced to work longer hours and raise wages. Establishing a SIMPLE IRA may be a tool to help attract and retain employees.<sup>4</sup>

SIMPLE IRAs — a closer look

Deadline to establish	Between January 1 and October 1 of the current year, unless it’s a plan for a new business that was established after October 1 of the SIMPLE IRA plan setup year
Contributions	<p>Pretax contributions by employees</p> <p>Plus a mandatory employer contribution of either:</p> <ul style="list-style-type: none"><li>• Dollar-for-dollar match of up to 3% of compensation (in tougher times, you may reduce the match to as little as 1%, but for no more than two of every five consecutive years)</li></ul> <p>OR</p> <ul style="list-style-type: none"><li>• Across-the-board from 2% up to 10% of compensation for all eligible employees</li></ul>
Contribution limits <sup>5</sup>	<p>Annual maximum participant contribution limit: .....\$16,000</p> <p>Additional catch-up contribution: .....\$3,500 (for those age 50 and older)</p> <p>Total maximum contributions: ..... \$32,000/\$39,000*</p> <p>* Maximum participant and employer contributions combined; \$31,000 subject to 3% employer match limit or 100% of participant’s compensation (\$38,000 with age-based catch-up contributions and employer match).</p>
Investment decisions	Made by employee
Vesting	Immediate
Ongoing maintenance	Annual notice to eligible employees (required)

## Benefits to you and your employees

### A potential nest egg for the future

- A SIMPLE IRA allows convenient pre-tax salary deferrals, so the money is invested before individuals have a chance to spend it.
- The employer's mandatory contribution to employees' SIMPLE IRAs may help your employees get on the path to financial wellness in the future.
- Add to this the power of compounding. Earnings realized on investments—including interest, dividends or other returns—may then accumulate additional earnings.

### Tax benefits

- Pay tax on the contributions and earnings when withdrawn in retirement, at which time you may be in a lower tax bracket.<sup>6</sup>
- Individuals who make salary-deferral contributions may qualify for an income tax credit.<sup>7</sup>

### Investment choices and flexibility

- Employees can control how they invest their assets and may choose to invest in a variety of investment options.
- All contributions are 100% vested immediately.
- Investments may be subject to commissions, loads and operating expenses.

### Eligibility

- Any employee who received \$5,000 or more in compensation in any two preceding calendar years and who is reasonably expected to earn at least \$5,000 in the current year.

## What else do you need to know?

- A SIMPLE IRA must be maintained on a calendar-year basis.
- An eligible employer who adopts a SIMPLE IRA and who fails to be an eligible employer in a subsequent year will be treated as an eligible employer for the following two years.
- A SIMPLE IRA is considered an employer-sponsored retirement plan. Therefore, an individual's eligibility to make deductible contributions to a traditional IRA may be reduced or eliminated by participation in a SIMPLE IRA.
- After a two-year waiting period has been satisfied, employees may transfer or roll over SIMPLE IRA assets to a traditional IRA or another employer-sponsored retirement plan or convert them to a Roth IRA.
- Employees can elect to participate in the plan or modify existing salary-deferral elections within 60 days of the start of each plan year, and they can discontinue their salary-deferral contribution at any time.
- Employers may offer their employees the ability to make Roth contributions. Currently, Merrill is not offering this SIMPLE Roth IRA option. Note: Roth contributions may be available in a 401(k) plan.

## Take the SIMPLE approach to retirement

Get started today by contacting a Merrill advisor.

<sup>1</sup> For more information, see IRS Publication 560: Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

<sup>2</sup> 2% minimum still applicable.

<sup>3</sup> Retirement Plans Startup Costs Tax Credit. Please refer to [IRS.gov](https://www.irs.gov) for more information.

<sup>4</sup> Bank of America 2023 Small Business Owner Report

<sup>5</sup> Contribution limits apply for 2024. Compensation limit per employee is \$345,000. Limits for subsequent years may vary.

<sup>6</sup> Withdrawals are subject to ordinary income tax. In addition, a federal 10% additional tax may apply to withdrawals taken prior to age 59½. If funds are withdrawn within two years of first participating in a SIMPLE account, a 25% additional tax applies instead of 10%.

<sup>7</sup> Retirement Savings Contributions Credit (Saver's Credit). Please refer to [irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit](https://irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit) for more information.


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