

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). 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 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.

Under a SIMPLE plan, 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.

Benefits to your business

Tax benefits

- Contributions you make to the individual accounts under your SIMPLE plan are generally tax deductible by the business.
- Your business may be eligible for a tax credit of up to \$500 for each of the first three years if this is your first SIMPLE plan.

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.

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.

For employer use only.

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Competitive edge

- Almost 96% of employers cited a desire to help employees save for retirement as a reason for offering a workplace retirement plan. 89% of employers said doing so helped attract and retain employees.¹ Establishing a SIMPLE may be a tool to help attract and retain employees.

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 accounts 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.²
- Individuals who make salary-deferral contributions may qualify for an income tax credit of up to \$2,000 for individuals or \$4,000 if filing jointly.³

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.

Contributions help build retirement assets

SIMPLE IRA plans may be funded by both mandatory employer contributions and employee salary deferrals.

Employers must contribute annually (by your tax-filing deadline including extensions) either:

- A flat 2% of compensation for each eligible employee, regardless of participation, or;
- A dollar-for-dollar match of employee salary-deferral contributions, capped at 3% of compensation (may be reduced to as low as 1% in any two years during a five-year period).⁴

Employees (including yourself) can defer up to \$13,500 of compensation annually. If you are 50 or older, you can defer an additional catch-up contribution of up to \$3,000.⁴

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.⁵

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.
- An employer generally will not be eligible if any contributions were made or benefits were accrued to a qualified retirement plan maintained by the employer during the year in which the SIMPLE will be in effect.
- Consider a SIMPLE IRA if your business has steady income to help you meet your commitment to funding the plan.

What else do you need to know?

- In order to fund an SIMPLE Retirement Account (SRA) for the current year, the plan must be established by October 1 of that year.²
- An SRA must be maintained on a calendar-year basis.
- An eligible employer who adopts an SRA and who fails to be an eligible employer in a subsequent year will be treated as an eligible employer for the following two years.
- An SRA 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 an SRA.
- After a two-year waiting period has been satisfied, employees may transfer or roll over SRA 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.
- Employees must be notified by the employer annually of their right to begin making salary-deferral contributions, or to revoke or modify existing contributions.

Take the SIMPLE approach to retirement

Get started today by contacting a Merrill advisor for Small Business.

¹ PEW Charitable Trusts: Employer Barriers to and Motivations for Offering Retirement Benefits, September 2017.

² 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%.

³ Retirement Savings Contributions Credit (Saver's Credit). Please refer to www.irs.gov for more information.

⁴ Contribution limits apply for 2020. Compensation limit per employee is \$285,000. Limits for subsequent years may vary.

⁵ For more information, see *IRS Publication 560: Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)*.

Investing involves risk, including the possible loss of the principal value invested.

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