

SEP IRA Plan

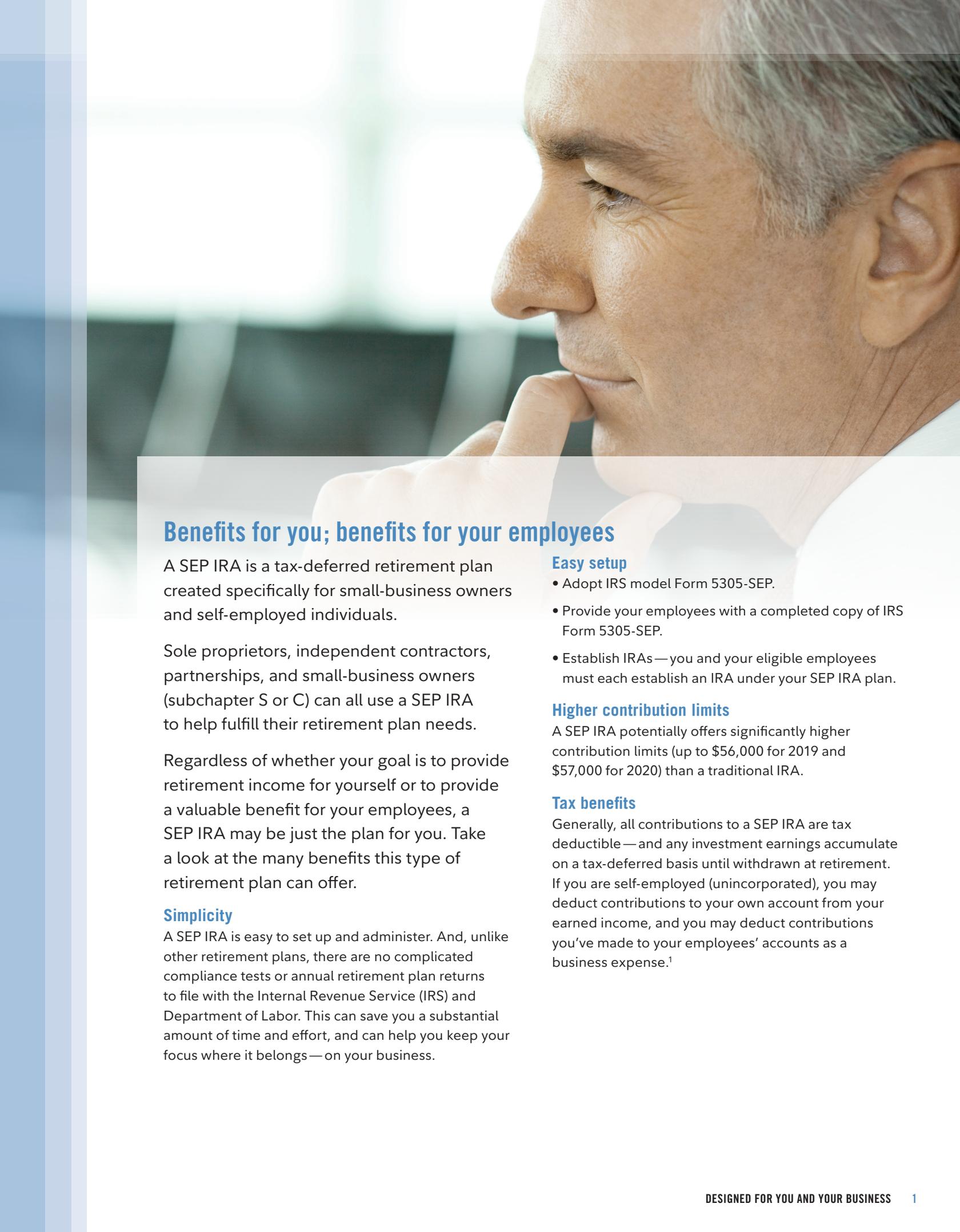
Easy to set up and administer — designed for you and your business



Think ahead.

Are you too busy focusing on the present to take care of the future? Today, it's more important than ever to plan carefully if you want to enjoy a financially secure retirement.

As a small-business owner or self-employed individual, you are eligible to establish a certain type of retirement plan that can help you — and your employees — invest for the future: a simplified employee pension (SEP) plan, with contributions made to an individual retirement account (IRA), together a SEP IRA. Typically, your annual pretax contributions to a SEP IRA can far exceed the annual amount you can defer on a pretax basis to a traditional IRA.



Benefits for you; benefits for your employees

A SEP IRA is a tax-deferred retirement plan created specifically for small-business owners and self-employed individuals.

Sole proprietors, independent contractors, partnerships, and small-business owners (subchapter S or C) can all use a SEP IRA to help fulfill their retirement plan needs.

Regardless of whether your goal is to provide retirement income for yourself or to provide a valuable benefit for your employees, a SEP IRA may be just the plan for you. Take a look at the many benefits this type of retirement plan can offer.

Simplicity

A SEP IRA is easy to set up and administer. And, unlike other retirement plans, there are no complicated compliance tests or annual retirement plan returns to file with the Internal Revenue Service (IRS) and Department of Labor. This can save you a substantial amount of time and effort, and can help you keep your focus where it belongs—on your business.

Easy setup

- Adopt IRS model Form 5305-SEP.
- Provide your employees with a completed copy of IRS Form 5305-SEP.
- Establish IRAs—you and your eligible employees must each establish an IRA under your SEP IRA plan.

Higher contribution limits

A SEP IRA potentially offers significantly higher contribution limits (up to \$56,000 for 2019 and \$57,000 for 2020) than a traditional IRA.

Tax benefits

Generally, all contributions to a SEP IRA are tax deductible—and any investment earnings accumulate on a tax-deferred basis until withdrawn at retirement. If you are self-employed (unincorporated), you may deduct contributions to your own account from your earned income, and you may deduct contributions you've made to your employees' accounts as a business expense.¹



If your business is incorporated, you may deduct contributions to your own account and your employees' accounts as a business expense.

The chart below, which assumes a 20% SEP IRA contribution, shows how a SEP IRA can help reduce current taxes for a self-employed (unincorporated) individual.²

Flexibility

The rules governing SEP IRA contributions are flexible. Contributions are made by you, directly to your own account and the accounts of each eligible employee. Best of all, with annual notice to any eligible employees, your contributions can vary each year. You also have the option of skipping contributions any year you want.

Freedom of choice

Employees choose their own investments within their own SEP IRA and have complete discretion to move their SEP IRA to any other institution at any time. This feature gives your employees control of the retirement plan contributions you make on their behalf.

Investment choices

Investment flexibility is a key feature of the Premiere Select® SEP IRA. Because you recognize that not all your employees have the same level of investing experience, the Premiere Select® SEP IRA can accommodate the needs of all levels of investors by offering access, through a brokerage account, to investment products such as individual securities and a vast array of mutual funds. Your employees may have their investment professional assist them with selecting the appropriate investments for them. This gives employees the ability to create a portfolio specifically designed to help meet their financial planning needs.

	WITHOUT A SEP IRA	WITH A SEP IRA
Income from business	\$50,000	\$50,000
Less deduction for self-employment tax	\$3,532	\$3,532
Less contribution to SEP IRA	\$0	\$9,294
Taxable income	\$46,468	\$37,174
Federal income tax of 25%	\$11,617	\$9,294
Current tax year savings by contributing to a SEP IRA	\$0	\$2,323

After-tax returns will vary depending on prevailing tax rates and your personal circumstances. This hypothetical example is for illustrative purposes only and does not take into account the effect of exemptions; itemized deductions; and FICA, state, and local taxes. Contributions and earnings will be taxed when withdrawn at the tax rate in effect at that time.

SEP IRA HIGHLIGHTS	
SUITABLE FOR	This plan may be suitable for self-employed individuals, small-business owners, and independent contractors who want a plan that is easy to set up and administer.
EMPLOYER ELIGIBILITY	Employers that do not currently maintain a qualified plan may adopt the IRS model Form 5305-SEP.
EMPLOYEE ELIGIBILITY	The plan must include employees who: <ul style="list-style-type: none"> • Are at least 21 years of age • Have worked for the employer for at least three of the last five years and have earned compensation of at least \$600 in 2019 and 2020
DEDUCTIBILITY	Contributions are tax deductible for the employer.
CONTRIBUTION LIMITS	The maximum contribution is the lesser of 25% of total compensation* or \$56,000 for 2019 and \$57,000 for 2020, per participant (approximately 20% if self-employed).
CONTRIBUTION FREQUENCY	Pursuant to an annual allocation formula communicated to employees, the employer decides when to contribute and how much to contribute. Yearly contributions are not required, although, when contributions are made, they must be made uniformly for all eligible employees, and the employer must send each eligible employee written notification of the amount contributed for the calendar year.
UNIFORM CONTRIBUTION	The same contribution percentage must be used for all eligible employees and the employer when contributions are made to the plan.
DEADLINE TO ESTABLISH THE PLAN	The plan must be set up by the employer's tax-filing deadline, including extensions.
CONTRIBUTION DEADLINE	Contributions are due by the employer's tax-filing deadline, including extensions, for the year for which the contributions are made.
VESTING	Contributions are immediately 100% vested.
DISTRIBUTIONS	Distributions are available at any time; however, taxes and penalties may apply. Penalty-free distribution events include: <ul style="list-style-type: none"> • Attainment of age 59½ • Disability (as defined by the Internal Revenue Code) • Certain substantially equal payments • Certain unemployment expenses • Qualified higher education expenses • Qualified first-time home purchase (\$10,000 lifetime limit) • Certain medical expenses in excess of 10% (or 7.5% if account owner or his or her spouse was born before January 2, 1950) of AGI (adjusted gross income) • Qualified reservists[†] • Death <p>Generally, minimum distributions must begin by April 1 following the year an individual turns age 70½ and must occur by December 31 each year thereafter.</p>

*The maximum compensation on which contributions can be based is \$280,000 for 2019 and \$285,000 for 2020.

[†]A qualified reservist distribution is made to an individual ordered or called to active duty for at least 180 days. Applies to distributions taken after — and to individuals called to active duty after — September 11, 2001.



Three easy steps

Once you've decided to establish a SEP IRA for yourself and your employees, simply follow these steps:

STEP 1

Review the enclosed employer guide.

The guide provides instructions for adopting and maintaining the IRS model Form 5305-SEP—as well as establishing and funding Premiere Select SEP IRA accounts.

STEP 2

Have eligible employees complete a Premiere Select IRA application.

One application kit is enclosed. Your investment professional can provide you with additional kits, if necessary.

STEP 3

Send forms to your investment professional.

Once your Premiere Select IRA application(s) and any other applicable forms have been received, your investment professional will have your account(s) established and your request processed.

<Affix your broker-dealer member name and information here.>

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¹The Premiere Select® SEP IRA Plan under IRS model Form 5305-SEP must be maintained on a calendar-year basis. Tax-deductible contributions are deductible for the business tax year within which the calendar year ends. Contributions made for a particular tax year are deductible for that tax year if contributed by the due date, including extensions, of your income tax return.

²The contribution amount is determined by applying the desired percentage (20%) to the income from the business, less the deduction for self-employment tax and the amount contributed to the SEP IRA.

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