2020 Small-Business Retirement Products Guide

SEP (SIMPLIFIED EMPLOYEE PENSION) IRA	
Target Market	• Employers with one or more employees • Suitable for employers who want a plan that is relatively easy to set up and administer
Features	• Employer makes annual contributions to employees' IRAs • Contributions are discretionary and tax deductible to the employer • 100% immediate vesting • Any earnings grow tax deferred until withdrawn • Fewer administrative requirements than qualified plans
Eligibility Requirements	• The IRS Model Form 5305-SEP may not be used if the employer: – Maintains any other qualified plan (except another SEP IRA—a plan is "maintained" even if no contributions were made during the year), – Uses the services of leased employees, – Wants a plan year other than the calendar year, or – Wants an allocation formula that takes into account Social Security contributions the employer made for employees • Must generally include employees who: – Are a minimum age of 21 – Have worked for the employer for any three of the immediate past five years and earned compensation of at least $600 for 2020 • Business owner can set less restrictive eligibility requirements
Contributions	• Maximum contribution per participant is the lesser of 25% of total compensation[1] or $57,000 for 2020 (20% if self-employed) • Uniform contribution rate for all eligible employees, including employer
Distributions[2]	• Required minimum distributions (RMDs) must begin by April 1 following the year an individual turns age 72 and must occur by December 31 each year thereafter • Exceptions to the early withdrawal penalty: – Attainment of age 59½ – Disability, as defined under Section 72(m)(7) of the Internal Revenue Code – Series of certain substantially equal periodic payments – Health insurance premiums for certain unemployed individuals – 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 adjusted gross income (AGI) – IRS levy under Section 6331 of the Internal Revenue Code – Qualified reservist duty[3] – Death – Qualified birth or adoption distribution ($5,000 limit)[4]
Deadline to Set Up / Contribute	• Plan must be adopted by employer's tax-filing deadline, including extensions • Contributions are due by employer's tax-filing deadline, including extensions
Administrative Information	• IRS Form 5305-SEP to adopt plan (a copy or prototype plan document must be provided to each eligible employee) • No employer annual tax-filing requirements • Annual IRS Form 5498 and Form 1099-R reporting • Annual RMD notice sent to account owners age 72 or older • $125 account termination fee • No plan-level setup or administration fee

SIMPLE (SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES) IRA	
Target Market	• Employers who have 100 or fewer eligible employees and who do not maintain another retirement plan • Suitable for employers who wish to offer employee salary-deferral contributions but are looking for an easier plan to administer than a 401(k) plan
Features	• Simplified and typically less expensive retirement plan to administer than a 401(k) • Allows for both: – Voluntary employee salary-deferral contributions – Mandatory employer contributions that are generally tax deductible for the employer • 100% immediate vesting • Any earnings on an employee's IRA balance grow tax deferred until withdrawn
Eligibility Requirements	• Must include employees who: – Have earned at least $5,000 (for 2020) in compensation in any preceding two years – Are reasonably expected to earn at least $5,000 (for 2020) in compensation in the year of participation • Business owner can set less restrictive eligibility requirements • Employers cannot maintain another employer-sponsored retirement plan
Contributions	• Maximum employee deferral contribution is the lesser of 100% of compensation or $13,500 for 2020 • For those individuals who are age 50 or older at the end of the taxable year, an additional annual "catch-up" contribution of $3,000 for 2020 may be made • Mandatory annual employer contribution: Employer elects to either match contributions dollar for dollar, up to 3% of compensation for each employee electing to defer a portion of compensation,[5] or to make a mandatory nonelective contribution of 2% of compensation[1] for all eligible employees, up to a maximum of $5,700 for 2020 • Maximum employer matching contribution is $13,500 for 2020
Distributions[2]	• RMDs must begin by April 1 following the year an individual turns age 72 and must occur by December 31 each year thereafter • An account must be opened for two years before a distribution can occur without penalties; if the employee is under age 59½, withdrawals may be subject to a 25% penalty if taken within the first two years of beginning participation, and possibly to a 10% penalty if taken after that time period[6] • Exceptions to the early withdrawal penalty: – Attainment of age 59½ – Disability – Series of certain substantially equal periodic payments – Health insurance premiums for certain unemployed individuals – 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 – IRS levy under Section 6331 of the Internal Revenue Code – Qualified reservist duty[3] – Death – Qualified birth or adoption distribution ($5,000 limit)[4]
Deadline to Set Up / Contribute	• Generally, the plan must be established and accepted by the IRA custodian on or before October 1 for contributions to be made that year • Employer contributions are due by employer's tax-filing deadline, including extensions • Employee elective deferrals should be deposited as soon as administratively possible, but not later than 30 calendar days following the last day of the month for which the deferrals are withheld
Administrative Information	• Employer adopts the SIMPLE plan • Employee completes a Salary Reduction Agreement • Custodian provides Annual Summary Description information to employer • Annually, the employer must distribute the 60-Day Notice and Summary Description to eligible employees • Annual IRS Form 5498 and Form 1099-R reporting • Annual RMD notice sent to account owners age 72 or older • $125 account termination fee • No setup or administration fee for employer or employee

FIDELITY INDIVIDUAL 401(K) PLAN	
Target Market	• Employers who want to make a generous retirement contribution each year • Employers who don't have any employees other than a spouse and who don't plan to add any employees • Employers who are willing to perform some plan administration tasks, including filing IRS Form 5500 annually
Features	• Funded by employee salary deferrals and employer contributions • Contributions are generally tax deductible to the employer • 100% immediate vesting • Account balances grow tax deferred until withdrawn • May be used in conjunction with a profit-sharing / money purchase plan
Eligibility Requirements	• Must be self-employed individuals or business owners with no employees other than a spouse • Not suitable for businesses with employees • Available to sole proprietors, partnerships, corporations, and S corporations
Contributions	• Employees of the business can make elective deferrals of up to $19,500 for 2020; a "catch-up" provision allows an additional contribution of $6,500 for 2020 if employee is age 50 or older by the end of the applicable tax year • Employers may also be able to make a profit-sharing contribution of up to 25% of compensation, up to a maximum of $57,000 for 2020;[1] if spouse is covered by the plan, both employer and spouse must receive the same percentage profit-sharing contribution
Distributions[2]	• Minimum distributions are required at age 72 or retirement, whichever is later[7] • Distribution events: – Attainment of age 59½ – Disability – Plan termination – Separation from service – Death
Deadline to Set Up / Contribute	• Plan needs to be adopted by employer's fiscal year-end — usually December 31 • Employer contributions are due by employer's tax-filing deadline, including extensions
Administrative Information	• Employer files annual Form 5500 as required by IRS • Annual IRS Form 1099-R reporting • Annual RMD notice sent to account owners age 72 or older • $125 account termination fee

RETIREMENT PLAN (PROFIT-SHARING / MONEY PURCHASE)	
Target Market	• Employers with one or more employees • Profit-sharing plans are appropriate for employers who want contribution flexibility
Features	• Employer-funded plan; employee contributions are not permitted • Contributions are generally tax deductible to the employer • Profit-sharing and money purchase plans may be used together • 100% immediate vesting • Earnings on contributions grow tax deferred until withdrawn • Full brokerage account option
Eligibility Requirements	• Must include employees who: – Are a minimum age of 21 – Have worked for the employer for at least two years[8] • Employer may set less restrictive eligibility requirements

RETIREMENT PLAN (PROFIT-SHARING / MONEY PURCHASE) — CONTINUED	
Contributions	• Profit-sharing plan – Maximum employer contribution per participant is the lesser of 25% of total compensation[1] or $57,000 for 2020 (20% if self-employed) – Contributions are discretionary • Money purchase plan – Fixed annual employer contribution rate (minimum of 3%), up to 25% of total compensation[1] not to exceed $57,000 per participant for 2020 (20% if self-employed) – Contributions are mandatory • Employee contributions are not permitted
Distributions[2]	• Minimum distributions are required at age 72 or retirement, whichever is later[7] • Distribution events: – Attainment of age 55 or age 59½, depending on the plan's normal retirement age as selected in the Adoption Agreement – Disability – Plan termination – Separation from service – Death
Deadline to Set Up / Contribute	• Plan needs to be adopted by employer's fiscal year-end — usually December 31 • Employer contributions are due by employer's tax-filing deadline, including extensions
Administrative Information	• Employer must distribute a Notice to Interested Parties when plan is established and a Summary Plan Description and Summary Annual Report annually to employees • Employer files annual Form 5500 as required by the IRS (Note: The IRS does not require the filing of Form 5500 for one-participant plans that have assets of $250,000 or less for plan years after December 31, 2006); employers should consult their financial representative for more information • Annual 1099-R tax reporting • Annual Plan Valuation Statement • Annual RMD notice sent to investors age 72 or older • $125 termination fee

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[1]Maximum compensation on which contributions can be based is $285,000 for 2020.

[2]Distributions from certain retirement plan accounts before age 59½ may be subject to a 10% early withdrawal penalty unless an exception applies. For qualified plans, the plan document will indicate when distributions are permitted.

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

[4]A qualified birth or adoption distribution—available for distributions made after December 31, 2019—is a distribution made to an individual during the one-year period beginning on the date on which a child of the individual is born or on which the legal adoption by the individual of an eligible adoptee is finalized. An eligible adoptee is an individual (other than a child of the taxpayer's spouse) who has not attained age 18 or who is physically or mentally incapable of self-support.

[5]For self-employed individuals, compensation means earned income.

[6]Distributions from a SIMPLE IRA before age 59½ and before the expiration of the two-year period (which begins on the first day contributions are made to an individual's SIMPLE IRA by the individual's employer) may be subject to a 25% early withdrawal penalty. Distributions from a SIMPLE IRA before age 59½ and after the expiration of the two-year period may be subject to a 10% early withdrawal penalty.

[7]For individuals who own 5% or more of the business, RMDs must begin by April 1 following the year the individual reaches age 72 and must occur by December 31 each year thereafter.

[8]A year is a period of 12 consecutive months in which 1,000 hours of service are completed.

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