

SIMPLE IRA Plan

Employer Guide



The Fidelity SIMPLE IRA Plan (the "Plan") enables businesses with fewer than 100 employees to offer a retirement plan that features certain tax benefits that are similar to large corporate retirement plans—with a lot less cost and administration. By choosing the Fidelity SIMPLE IRA Plan, you are providing your employees with a retirement savings vehicle that also takes advantage of investment flexibility, including access to a broad array of individual securities and mutual funds.



Gain a competitive edge.

The Fidelity SIMPLE IRA Plan is designed to give your business a competitive advantage.

Attract and retain quality employees

A retirement plan is one of the most appreciated benefits you can offer your employees. That's why it makes good business sense, because it may help improve your employee retention levels.

A hassle-free retirement plan

There are no complicated discrimination tests or employer IRS filings—making a SIMPLE IRA plan relatively easy to set up and maintain. Your employees control their own accounts.

Create tax benefits for you and your employees

A SIMPLE IRA plan gives you many of the tax advantages you'd expect from a qualified retirement plan—tax-deductible contributions for your business and tax-deferred growth potential for your participants.

Help your employees save for a financially secure future

Employer contributions are mandatory. You can choose to make either matching or nonelective contributions. In addition, employees can elect to defer a portion of their salary into their account each year.*

For 2020, the maximum employee contribution limit is the lesser of 100% of compensation or \$13,500.

Catch-up contributions for SIMPLE IRA owners

SIMPLE IRA owners age 50 or older (as of December 31 of the tax year) may be eligible to make a "catch-up" contribution each year, in addition to their annual contributions. The catch-up contribution amount limit is \$3,000 for 2020.

*If employees elect not to defer, employers are not required to make matching contributions.



An answer to your needs

Here's how it works

The Fidelity SIMPLE IRA Plan lets you offer your employees many of the same benefits as a 401(k) plan, without the same administrative complexities.

It enables employees to build their own tax-deferred retirement savings through convenient payroll deductions. Employees can reduce their current federal income taxes by contributing a portion of their salary to their account, and they also defer taxes on any investment earnings—as long as the money remains in the account.

As an employer, you must make contributions on behalf of your employees. This will help you to retain valuable staff and recruit the best candidates. Additionally, your contributions are generally considered a business expense and may be deductible.

The Fidelity SIMPLE IRA Plan may be the answer to your company's retirement plan needs.

A wide array of investment choices

Investment flexibility is a key feature of the Fidelity SIMPLE IRA Plan. By recognizing that not all your employees have the same level of investing experience, you can help accommodate the needs of all levels of investors by offering access to investment products, such as individual securities and a vast array of mutual funds, through a brokerage account. Your employees have the option of selecting their own financial company (mutual fund, bank, brokerage company) in which to set up the SIMPLE IRA. In addition, your employees may choose to work with a financial representative, who can assist them with selecting appropriate investments.

Plan highlights

The Fidelity SIMPLE IRA Plan offers flexible design features for both you and your employees.

Eligibility

Any corporation, partnership, sole proprietor, tax-exempt organization, or government employer with 100 or fewer eligible employees can offer the Fidelity SIMPLE IRA Plan, provided that the employer does not maintain any other employer-sponsored retirement plan. The following individuals must be included in the 100-employee limit:

- Employees reasonably expected to earn at least \$5,000 in compensation during the calendar year and who have earned at least \$5,000 from the employer in any two preceding calendar years
- Employees of controlled or affiliated companies
- Certain leased employees

The employer may establish more liberal rules for eligibility.

Plan establishment deadline

The Plan:

- May be established on any date before October 1 for existing employers*
- Must be accepted by the custodian before or on October 1 in order to be in effect for the current year
- Can be made available after it is adopted by the employer and the employees are notified

Employee salary deferral contribution limit

For 2020, the annual employee salary deferral contribution limit is \$13,500.

Employer contributions

Employers must either match employee salary deferral contributions or make nonelective contributions. Each year, they must notify employees of the contribution method within a reasonable time before the 60-day election period.†

Matching Option—Employers match, dollar for dollar, up to 3% of compensation to a maximum annual contribution of \$13,500 for 2020. With certain notification requirements to employees, this percentage may be reduced to as low as 1% of compensation for any two out of the five previous consecutive years. If an employee does not contribute to his or her account, the employer is not required to contribute to the employee's SIMPLE IRA.

Nonelective Option—Employers contribute 2% of compensation for all eligible employees (up to a maximum of \$5,700),‡ regardless of whether employees make their own salary deferral contributions.

Employer contributions beyond the matching or nonelective options are not permitted.

Employers should work with their own tax advisors when determining contributions that are required under a SIMPLE IRA plan.

*An exception applies for businesses started after October 1.

†The 60-day election period generally runs from November 1 to December 31 (except in the first Plan year, when the 60-day election period varies with the Plan effective date). Employers can extend the 60-day election period to provide additional opportunities for employees to make elections.

‡The maximum compensation on which annual nonelective contributions can be based is \$285,000 for 2020. For self-employed individuals, compensation means earned income.



Vesting

The Plan requires 100% immediate vesting of all employer and employee contributions.

Loans

By law, loans are not permitted under a SIMPLE IRA plan.

Withdrawals

Employees can take money out of the Plan at any time. All withdrawals are subject to applicable income taxes and penalties. Before age 59½, a 10% penalty tax may apply—and the penalty rises to 25% if withdrawals are taken during the two-year period that begins on the date the employer makes the first contribution on the participant's behalf.

Administrative requirements

Employers are required to distribute a 60-day notice and Summary Description to employees annually.

The Plan is exempt from IRS Form 5500 filings, ADP and ACP discrimination tests, and top-heavy requirements.

Contribution worksheet

Estimating employer contributions

The following worksheet can help you estimate what it may cost your company to offer the Fidelity SIMPLE IRA Plan. After you complete the worksheet, you'll be able to compare costs for the two employer contribution options. Note that under Option 1: Employer Matching Contribution, you can estimate both the standard 3% match and the 1% reduced

match, which is available in any two out of the five previous consecutive years. Keep in mind that your actual contributions will vary each year, depending on several factors, including the number of eligible employees in the Plan, their compensation, the number of employees who elect to make contributions, and the amount of their contributions.

OPTION 1: EMPLOYER MATCHING CONTRIBUTION	EXAMPLE	YOUR COMPANY
1. Average annual pretax compensation of eligible employees you expect to contribute	\$30,000	
2. Average percentage of salary you estimate participants will defer	5%	
3. Average participant contribution (multiply line 1 by line 2)	\$1,500	
4. Total number of eligible employees you estimate will contribute	10	
WITH A 3% MATCH		
5a. Average employer matching contribution: 3% match (multiply line 1 by 3%)*	\$900	
5b. Total estimated annual employer matching contribution with 3% match option (multiply line 4 by line 5a)	\$9,000	
WITH A 1% MATCH		
6a. Average employer matching contribution: 1% reduced match (multiply line 1 by 1%)*	\$300	
6b. Total estimated annual employer matching contribution with reduced 1% match option (multiply line 4 by line 6a)	\$3,000	

*The maximum annual employer contribution limit per participating employee is 3% of an employee's compensation or \$13,500 (the maximum annual employer deferral amount), whichever is less. This worksheet assumes that the average percentage of salary deferred by employees is 3% or more.

†Available in any two out of the five previous consecutive years.



As a small-business owner, you can take advantage of the Fidelity SIMPLE IRA Plan's flexible features while offering your employees a competitive retirement plan.

OPTION 2: EMPLOYER NONELECTIVE CONTRIBUTION	EXAMPLE	YOUR COMPANY
1. Average annual compensation* of your eligible employees	\$30,000	
2. Average employer compensation per eligible employee (multiply line 1 by 2%; not to exceed \$5,700 per participant)	\$600	
3. Total number of eligible employees	10	
4. Total estimated annual employer contribution with 2% nonelective contribution option (multiply line 2 by line 3)	\$6,000	

Important: You can switch between Options 1 and 2 each year, provided that certain employee notification requirements are met.

*Maximum compensation on which contributions can be based is \$285,000 for 2020.

These hypothetical examples are for illustrative purposes only. You should work with your tax advisor to determine contribution amounts for your plan.

Easy to establish

With the Fidelity SIMPLE IRA Plan and the help of your financial representative, establishing and maintaining your retirement plan can be a snap.

Simply follow these steps to establish your company's Fidelity SIMPLE IRA Plan.

STEP 1

Review and complete the Fidelity SIMPLE IRA Company Profile Form and the SIMPLE IRA Plan Adoption Agreement. Please retain a copy of these documents and the SIMPLE IRA Plan Agreement for your files.

STEP 2

Complete the Notice to Eligible Employees for all your employees who are eligible to participate in the Plan.

STEP 3

Complete the Summary Description for your eligible employees.

STEP 4

Distribute the SIMPLE IRA Plan Salary Reduction Agreement Form, the SIMPLE IRA Plan Account Application, the SIMPLE IRA Custodial Agreement, the Disclosure Statement, and the Summary Description to your eligible employees. You will need to collect the Account Application and the Salary Reduction Agreement Form once they have been completed. Retain a copy of the Salary Reduction Agreement Form for use in payroll processing and for your files.

STEP 5

Send the following completed SIMPLE IRA forms to your financial representative for processing:

- Plan Adoption Agreement
- Company Profile Form
- SIMPLE IRA Plan Account Application for each participating employee

This information is general in nature and is provided for informational purposes only. Consult an investment advisor, attorney, or tax professional about adopting a plan that may meet your needs.



Get started today. It's that simple. Contact your financial representative to see how easy it can be for you to offer your employees a retirement plan they'll appreciate for years to come.

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