How a SEP-IRA Works

EMPLOYER

- Contributes for all qualified employees.
- Contributions are generally tax deductible.
- Plan is flexible (contributions are not required each year).
- Generally little or no administrative expense.

SEP-IRA

- A separate IRA (traditional or Roth) exists for each participant.
- Earnings accumulate taxdeferred.
- Plan is self-directed (employee controls investments).
- Investment risk remains on employee.

EMPLOYEE

Maximum 2025 allocation to a SEP for an employee is \$70,000. For a self-employed individual, the limit is also \$70,000.

EARLY WITHDRAWALS

- Traditional SEP IRA a 10% penalty generally applies to withdrawals before age 59½, with some exceptions available. Earnings and contributions taxed as ordinary income.
- Roth SEP IRA "Qualified"
 distributions are not
 subject to tax. The
 earnings portion of a non qualified distribution is
 taxable as ordinary income.

RETIREMENT

- Traditional SEP-IRA –
 Required Minimum
 Distributions (RMDs) must
 begin by April 1 of the year
 after the year the owner
 reaches a specific age, the
 required beginning date
 (RBD).² Distributions are
 taxed as ordinary income.
- ROTH SEP IRA No RMDs are required during the life of the owner. Qualified¹ distributions are received income-tax free.

DEATH

- Value of IRA is included in owner's gross estate.
- Proceeds can pass to beneficiaries with payments over varying time periods.
- Income and estate taxes can severely reduce funds left to nonspousal beneficiaries.

¹ Generally, a "qualified" distribution is one made at least five years after a contribution is first made to a Roth IRA and because the owner reaches age 59½, dies, becomes disabled, or uses the funds for first-time homebuyer expenses.

² Under current law, the RBD increases after 2022: (1) to age 73 for those born from 1951 to 1958; and (2) to age 75 for those born after 1958. Previously, age 72 was the mandated age to begin RMDS.

Disclosure Notice

The information that follows is intended to serve as a basis for further discussion with your financial, legal, tax and/or accounting advisors. It is not a substitute for competent advice from these advisors. The actual application of some of these concepts may be the practice of law and is the proper responsibility of your attorney. The application of other concepts may require the guidance of a tax or accounting advisor. The company or companies listed below are not authorized to practice law or to provide legal, tax, or accounting advice.

Although great effort has been taken to provide accurate data and explanations, and while the sources are deemed reliable, the information that follows should not be relied upon for preparing tax returns or making investment decisions. This information has neither been audited by nor verified by the company, or companies, listed below and is therefore not guaranteed by them as to its accuracy.

If a numerical analysis is shown, the results are neither guarantees nor projections, and actual results may differ significantly. Any assumptions as to interest rates, rates of return, inflation, or other values are hypothetical and for illustrative purposes only. Rates of return shown are not indicative of any particular investment, and will vary over time. Any reference to past performance is not indicative of future results and should not be taken as a guaranteed projection of actual returns from any recommended investment.