



SIMPLE!

SIMPLE Retirement Plans For Small Employers

With all of the many challenges facing small employers today, offering employees a retirement plan may seem like a weighty financial and administrative burden. To address this need and to make retirement plans more available to American workers, Congress enacted legislation to make it easier for small employers to establish a retirement plan for themselves and their employees.

Congress created the “Savings Incentive Match Plans for Employees of small employers, “also known as SIMPLEs. These plans are simple to administer, and offer contribution options that are both flexible and substantial. With these new plans available, there’s no reason for employers to put off that all-important retirement plan decision any longer.

Which Employers Are Eligible For A SIMPLE Plan?

The SIMPLE IRA is generally available to both for-profit and non-profit employers having no more than 100 employees. However, an employer may generally not have a SIMPLE plan if it provides benefits under another qualified retirement plan.

How Much Can Be Contributed to a Simple Plan?

- ❑ Employees may contribute up to \$10,500 for 2007 and 2008 tax-deferred, each year.
- ❑ If an employee is age 50 or older he or she may make an additional \$2,500 catch-up contribution to a SIMPLE IRA.
- ❑ Employers provide either:
 - ❑ A match of employee deferrals up to three percent of compensation, or
 - ❑ A two percent of compensation contribution on each eligible employee’s behalf.

What Are The Tax Benefits?

- ❑ All amounts contributed to a SIMPLE plan are tax deductible by the employer.
- ❑ Employees are not taxed on salary they have deferred.
- ❑ All plan earnings are tax deferred.

Do SIMPLEs Require Complicated Testing?

The complicated, potentially expensive contribution testing found in many other retirement plans can limit the contributions of the business owner or the highly compensated, or require additional contributions to certain employees. This is not true of the SIMPLE plans.

Must All Employees Be Covered?

An employer may place some restrictions on which employees are eligible to participate in a SIMPLE plan.

Employees cannot be excluded if

- ❑ They have earned \$5,000 or more in service to the employer in any two prior years, and
- ❑ They can be expected to earn \$5,000 from the employer in the current year.

The employer also has additional coverage options.

The employer may

- ❑ Waive, or set less demanding, eligibility requirements,
- ❑ Exclude certain union employees,
- ❑ Exclude certain nonresident aliens from SIMPLE plan participation.

Can SIMPLE Assets Be Moved?

SIMPLE IRA funds may be rolled over or transferred to another SIMPLE IRA at any time, and to an IRA, qualified retirement plan, tax-sheltered annuity or 457 (b) deferred compensation plan after two years. Rollover or transfer to an IRA or employer plan before that time will result in an excess contribution.

Does SIMPLE Plan Participation Affect IRA Contributions?

Employees who participate in a SIMPLE plan are considered “active participants” in an employer retirement plan, and thus IRA contribution deductibility may be affected, depending on their income. However, an IRA contribution is still allowed.

For More Information.....

To learn more about how a SIMPLE retirement plan can meet the needs of you and your employees, contact the experts at Salem Five. Call Louise A. Mallett, CISP, Vice President at 978-720-5255. Start today on the road to a secure financial future.