What is a SIMPLE IRA?
A Savings Incentive Match Plan for Employees (SIMPLE) IRA is an easy-to-administer salary deferral retirement plan that allows both the employer and employees to contribute to employee retirement accounts. There are tax benefits for employer contributions and for employees who make pretax contributions. This plan is ideal for businesses with steady profits who want to allow pretax employee contributions like 401(k) plans do. Your business may deduct all contributions made to the plan as long as IRS contribution limits are not exceeded.

Who is a SIMPLE IRA best suited for?
Small business owners with up to 100 employees and steady profits who want their employees to be able to contribute to their retirement.

What are the key benefits of a SIMPLE IRA?
- A SIMPLE IRA offers **tax-deductible contributions** for your business, **pretax contributions** for your employees, and **tax-deferred growth potential** on contributions.
- Employees are not required to make contributions and are always 100% vested in their SIMPLE IRA money.
- By choosing the match, employers only contribute to those employees who also contribute for themselves. The employer matches his or her own pretax deferral contribution as well.
- There are **no special** employer IRS tax filing requirements.
- There are no setup or account maintenance fees. Commissions, service, and exception fees may apply.

What do I need to know about contributions?
- Employees may contribute up to $13,500 per year in salary deferrals, or $16,500 for employees age 50 and up for 2020. If an employee has elective salary deferrals in other employer plans during the year, the total amount of salary deferrals for all plans cannot exceed $19,500 for 2020 ($26,000 if age 50 and up).
- Employers must make contributions to employee accounts in one of two ways:
  - Employers must match employees’ contributions dollar for dollar up to 3% of each employee’s compensation (which can be reduced to 1% in any two out of five years), OR
  - Employers must make contributions for all employees, including those who do not make contributions, in a nonelective amount of 2% of each employee’s compensation
- Business owners may not make both match and nonelective contributions in the same year. You also cannot make a larger match or nonelective contribution than the IRS limit.
- Employer contributions (match or nonelective) must be made prior to the employer’s tax filing deadline, including extensions. Employee salary deferrals must be contributed as soon as possible after withholding from the employee’s pay.
- Contact your accountant or tax advisor to learn more about what makes sense for your business and circumstances.
How are rollovers and transfers handled?

• A SIMPLE IRA is a form of IRA that may accept rollovers and transfers into the plan but only from other SIMPLE IRA plans.

• If you've had a SIMPLE IRA for at least two years, you may roll over or transfer your plan to a traditional IRA or another SIMPLE IRA. Prior to two years, however, you may only roll over or transfer your plan to another SIMPLE IRA.

What about distributions?

• Distributions from a SIMPLE IRA may be subject to tax and a 10% early withdrawal penalty if you are under age 59 1/2, but exceptions may apply. This IRS penalty is increased to 25% if you have not had your SIMPLE IRA account for at least two years.

• Minimum required distributions start at age 72 (unless you turned 70-1/2 prior to January 1, 2020; then you must start taking your RMD at age 70-1/2).

How do I set up a SIMPLE IRA?

1. Apply online at tdameritrade.com/smallbusiness to open your plan and Funding Account. Be sure to select SIMPLE IRA as your plan type and provide a valid email address for us to send you forms to finalize your Funding Account and the application process.*

   Please keep your Funding Account and Plan ID numbers handy for future reference.

2. TD Ameritrade will send you the IRS Form 5304-SIMPLE and Form 5305-SIMPLE. You will need to choose one form and complete, sign, and return the form to TD Ameritrade to establish your plan.

3. Once the account has been opened, please visit Small Business Retirement Plan Management to connect your SIMPLE IRA to a banking institution to contribute by ACH to your Funding Account and allocate amounts to employees. You may also use Retirement Plan Management to create allocations and then send in a check/wire to your Funding Account.

   Please note: The employer will need to send in the employee deferral contributions on a timely basis per IRS/Department of Labor guidance, typically no later than 30 days after the month the amount would have been payable to the employee had it not been deferred.

4. Use Retirement Plan Management to add your employees to the plan. You can open accounts for them, or if they already have a SIMPLE IRA account at TD Ameritrade, you can add that to your plan.

   Additionally, your eligible employees must each complete and provide you with their desired salary deferral percentage. However, if they have already opened a SIMPLE IRA account, they should provide you with their account number so it can be added to your plan.

Where can I learn additional details?

• Please refer to IRS Publications 560 and 4334 and the IRS page on SIMPLE IRAs for additional details.

Which of my employees can participate?

• Eligible employees include those who:
  - Earned at least $5,000 in compensation during any two years for additional details.
  - Expect to receive at least $5,000 in compensation during the current calendar year
  - An employer can use less restrictive participation requirements than those listed above but not more restrictive ones. For example, an employer can eliminate or reduce the prior or current year compensation amounts.

   Nonresident aliens are generally excluded from the plan. An employer may also choose to exclude certain union employees.

   – Earned at least $5,000 in compensation during any two years before the current calendar year and

   – Expect to receive at least $5,000 in compensation during the current calendar year

   An employer can use less restrictive participation requirements than those listed above but not more restrictive ones. For example, an employer can eliminate or reduce the prior or current year compensation amounts.

   Nonresident aliens are generally excluded from the plan. An employer may also choose to exclude certain union employees.

   Tip: If you own multiple businesses, you may have to cover all of your employees under this plan. Consult a tax advisor for more details.

Remember: The business owner must also meet all requirements to qualify for a contribution.

What are the annual requirements?

Before the beginning of each annual "election period," which starts 60 days before the calendar year begins (usually by November 2), you must provide each employee with the following information:

1. Their opportunity to make or change a salary reduction choice under the SIMPLE IRA plan for the upcoming year.

2. Their ability to select a financial institution that will serve as trustee of their SIMPLE IRA.

3. Your decision to make either matched or nonelective contributions in the next year.

4. A completed summary description. (Note: A partially completed version is provided by TD Ameritrade each year.)

Apply online at tdameritrade.com/smallbusiness, or give us a call at 800-472-0586.

Review and complete all plan documents and applications carefully.

TD Ameritrade does not provide tax advice. You may wish to consult with a professional regarding your specific circumstances.

*The following may be excluded from the plan: union employees whose retirement benefits were collectively bargained for in good faith by the employees’ union and the employer and nonresident alien employees who do not have U.S. income from the employer.

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