SEP IRA

A Simplified Employee Pension Individual Retirement Account (SEP IRA) is completely employer-funded and allows you to work with an advisor to select and direct the investments as you make progress toward your retirement goals.

Key Benefits

- You receive a valuable, tax-deferred employee benefit for your retirement
- Your employer contributes to your account, but working with an advisor, you choose and manage your own investments
- Features immediate vesting (ownership and control) of the account
- SEP IRA accounts are portable. If you leave the employer at some point, you can take your retirement assets with you

Saving and investing for a comfortable retirement may be one of the biggest financial challenges you will face. Fortunately, your employer is providing you with the opportunity to participate in a SEP IRA to help you plan for your retirement. According to Internal Revenue Service (IRS) requirements, once a business chooses to offer a SEP IRA, it must be provided to all eligible employees (see table on next page).

A SEP IRA is a retirement account that is funded totally by your employer—as an employee, you do not make contributions. However, you have control of the investments and any interest and capital appreciation accumulates in the account tax deferred.

How SEP IRAs work

With a SEP IRA, your employer makes direct contributions to an individual retirement account set up specifically for you for this purpose. Your employer may either open a SEP IRA on your behalf, or supply you with the necessary paperwork and support to open one yourself.

Once the account is funded by your employer, an advisor can help you choose specific investments, such as individual stocks and bonds, mutual funds, managed accounts or other investment instruments, establish an asset allocation strategy and change those allocations at your discretion.

Contributions

Contributions made by your employer may vary from year to year, depending on the business' profitability or business growth. However, contributions for all employees generally must be uniform—in other words, the same percentage of compensation for all participating employees.

Distributions

The money in your SEP IRA can generally be rolled over tax free to another SEP IRA, to a Traditional IRA, or to another employer's qualified retirement plan (provided the new plan allows rollovers). You can make withdrawals at any time subject to certain restrictions. However, you cannot take a loan from your SEP IRA.

Money withdrawn from a SEP IRA (and not rolled over to another plan) is subject to income tax for the year in which you receive a distribution. As with most other retirement plans, if you withdraw money from a SEP IRA before age 59½, for reasons other than death or disability, an additional 10% early withdrawal federal tax penalty generally applies. There may also be state tax implications.

How An Advisor Can Help

Create a retirement strategy

An advisor can help you map out a holistic retirement planning strategy, taking into consideration your retirement goals, timeframe and risk tolerance.

Choose investment options

SEP IRAs offer a wide variety of investment options including individual stocks and bonds, mutual funds, managed accounts or other investment instruments.

Determine your asset allocation

The first step after your employer makes a contribution to your SEP IRA is to determine how to allocate your assets among available investment options.

Review and track performance

You will receive consolidated account statements for your SEP IRA, making it is easier for you and your advisor to track, evaluate and review the performance of your investments and make any course corrections necessary.

You must begin taking minimum required distributions by April 1 of the year after you reach age 70½.

SEP IRA	2014 and 2015
Eligible Employees	21 years of age or older, employed three of the last five years, earning at least $550 for 2014 and $600 for 2015, including part-time, seasonal, terminated or deceased
Contributions Allowed	Employer contributions only
Contribution Limit	Up to 25% of the employee's compensation (up to $52,000 in 2014 and $53,000 in 2015) or 20% of modified net profit for unincorporated businesses, whichever is less[1]
Investment Selection	The employee, working with an advisor, controls the investment selection and asset allocation
Minimum Age to Take Distributions Without Penalty	59½ (excluding death or disability)
Mandatory Age Distributions Must Begin	April 1 of the year after you reach age 70½

Based on Internal Revenue Service Data, October 2014. This chart is intended to provide general information and is not intended as tax or legal advice. The rules governing contribution limits are complex, and you should consult with your plan administrator to understand the limitations, rules and regulations that apply to your plan.

Talk to an advisor to find out more

The advisor working with your employer can help you review your specific situation and retirement goals and answer questions about the features and benefits as well as any risks associated with your SEP IRA. Carefully review the plan, its investment options and costs before investing.

[1] Only the first $260,000 in 2014 and first $265,000 in 2015 of an employee's compensation can be considered when calculating contribution maximums.

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