



## Business Solutions: SIMPLE IRA

The SIMPLE IRA is a low-cost, low-administration retirement plan designed for small businesses with 100 or fewer employees that, similar to a 401(k), allows for employee salary deferrals. Unlike a 401(k), it may not be paired with other retirement plans, and employer contributions are required. Employer contributions made are tax-deductible and employee deferrals reduce the employee’s taxable income.

### Key Features of a SIMPLE

- Reduced tax liability
- No discrimination testing
- Inexpensive – comparable to a Traditional or Roth IRA
- Employees participate in the accumulation of their own retirement
- Participants may still defer to the plan after age 70½

### Considerations of a SIMPLE

Max Eligibility:	Employees who’ve worked any 2 prior years and earned \$5,000 or more annually
Max Contributions:	<b>Employees</b> may contribute 100% of salary, not to exceed \$12,500 for 2015 (plus catchup if over 50 years old).
	<b>Employers</b> may elect 3% matching or 2% non-elective contributions each plan year.
Vesting:	Employees are 100% immediately vested.
Deadline to establish:	October 1 of the plan year
Loans:	Loans disallowed for this plan type

### Calculations of a SIMPLE

Retirement plans are a great way to take advantage of many tax benefits. For example, a business owner with \$100,000 in personal compensation and with two eligible employees earning \$30,000 could put away as much as \$15,500 for her/his own retirement.

Maximum Owner Contributions	\$15,500
Cost to cover employees	\$1,800
<b>Total Owner Contributions</b>	<b>\$17,300</b>
Total Plan Contribution	\$19,100
Estimated Tax Savings *	\$1,200

\*Estimated tax savings based on 25% tax rate.

Each business is unique and has unique planning considerations. Contact your HD Vest Advisor to help you determine your retirement plan needs and to help you establish the most appropriate plan for your circumstances.