

SIMPLE IRA plans are an excellent option for small business employers who want a plan that they and their employees can contribute to with less complexity and lower costs than a 401(k). Available to employers with 100 or fewer employees, SIMPLE IRAs offer flexibility and ease of administration that make them an appealing option for many small businesses.

Under a SIMPLE plan, employers are required to contribute to the plan but can do so by making either matching or non-elective contributions. Employees can choose to make their own contributions to the plan via payroll deductions.

Advantages of a SIMPLE IRA



Choice: The employer chooses how much to contribute to employee accounts.



Simplicity: Easy to establish; IRS Form 5500 is generally not required if Form 5305-SEP and its instructions are distributed to employees.



Flexibility: Employers can choose to make contributions in one of two ways:

- Matching contribution — Employers match dollar-for-dollar of employees' salary deferrals up to 3% of each employee's compensation. In two years of any five-year period, the match can also be lowered to 1%.

- OR -

- Non-elective contribution — Employers contribute 2% of compensation for each eligible employee regardless of whether employees choose to make salary deferrals.



Eligibility: All employees earning \$5,000 for any past two years who are expected to do so in the current year. No age limit permitted. May exclude union employees.

Employee deferrals: For 2025, employees may make salary deferrals up to the lesser of \$16,500 or 100 percent of income. For 2026 it increases to \$17,000 or \$18,100 (see SIMPLE Limits document for explanation).

• Other SIMPLE IRA Considerations:

- Cannot be paired with other employer-sponsored retirement plans; it must be the employer's exclusive plan.
- The premature withdrawal penalty increases to 25% during the first two years of participation.
- This amount decreases to 10% thereafter.
- Employees are immediately 100% vested in all contributions.
- Annual 60-day notice that outlines the employer's contribution commitment for the coming year must be given to all eligible employees.

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