

SEP IRAs are retirement plans that allow an employer to make discretionary, tax-deductible contributions to their employees' accounts. These plans can also be utilized by self-employed individuals. Each eligible employee establishes an individual SEP IRA account at a financial institution and the employer makes contributions on their behalf. The employee owns and controls the account, while the employer determines the frequency and the amount of contributions.

Advantages of a SEP



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.



Low cost: Minimal set-up and maintenance fees.



High contribution limits: For 2024, employers can contribute up to the lesser of \$69,000 or 25% of compensation. For 2025, the contribution limit is lesser of \$70,000 or 25% of compensation.



Flexibility: Employer decides what percentage and how often to contribute; there are no requirements to contribute.



Integration: Social Security integration is allowed.



Eligibility requirements: Any employee who is 21 years old and earned at least \$750 in three of the previous five years must be eligible for the plan.

Other SEP considerations

- Employer must contribute an equal percentage to each participant's account.
- The employee owns and controls the account.
- Top-heavy testing must be performed.
- All contributions are immediately 100% vested.
- Loans are not permitted.
- Self-employed individuals, C or S corporations, sole proprietorships and partnerships are eligible.

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