

# SIMPLIFIED EMPLOYEE PENSION (SEP)

A simplified retirement plan for the self employed

A SEP is a retirement plan that allows a self employed individual to make contributions for him/her self and any eligible employees. A SEP eliminates complicated government reporting.

The employer and each eligible employee set up individual retirement accounts called a SEP-IRA. Each individual has complete control of their SEP-IRA regarding investments and withdrawals.

## Contributions

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- Contributions are made by the employer to the SEP-IRA of each eligible employee and for him/her self.
- The employer may decide each year whether or not to contribute. When you do contribute it must be for all eligible participants for the tax year.
- Contributions are based on the same percent of each employees compensation for the tax year (maximum is the lesser of 25% or \$66,000.00) for 2023. Compensation is limited to \$330,000.00. Amounts are adjusted annually.
- Contributions are allowed by the employer after age 70½.
- Employees may also make their Traditional IRA contributions to their SEP-IRA.

## Tax Benefit

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- Contributions are tax deductible for the employer and can be made up until the tax return due date including extensions.
- Funds and earnings remain tax deferred for the employee until withdrawn.

## Eligibility

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The employer generally may exclude the following employees from participating in the SEP Plan:

- Employees under age 21 (a lower age may be elected by the employer).
- Employees who have not worked for you in at least 3 of the last 5 years.
- Employees who have not earned the annual minimum (\$750.00 for 2023).
- Certain employees covered by a union agreement.
- Certain nonresident aliens.

## Withdrawals

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- Funds withdrawn are taxable to the employee in the year they are distributed.
- The employer cannot prohibit distributions from the SEP-IRA.
- Distributions are subject to Traditional IRA rules.
- Participants must begin Required Minimum Distributions in the year they reach age 73.

If you would like more information on SEP-IRAs go to [www.irs.gov](http://www.irs.gov) Publication 560.

Consult your tax or financial advisor to see if you qualify to open a Simplified Employee Pension (SEP).

