

## SEP-IRA Plan

Easy to set up and administer—designed for you and your business



TRUST & WEALTH  
MANAGEMENT







## Benefits for you; benefits for your employees

A SEP-IRA is a tax-deferred retirement plan created specifically for small-business owners and self-employed individuals.

Sole proprietors, independent contractors, partnerships, and small-business owners (subchapter S or C) can all use a SEP-IRA to help fulfill their retirement plan needs.

Regardless of whether your goal is to provide retirement income for yourself or to provide a valuable benefit for employees you may have, a SEP-IRA may be just the plan for you. Take a look at the many benefits this type of retirement plan can offer:

### SIMPLICITY

A SEP-IRA is easy to set up and administer. And, unlike other retirement plans, there are no complicated compliance tests or annual retirement plan returns to file with the IRS and Department of Labor. This can save you a substantial amount of time and effort and can help you keep your focus where it belongs — on your business.

### SETUP IS EASY

- Adopt IRS model Form 5305-SEP
- Provide your employees with a completed copy of IRS Form 5305-SEP
- Establish Individual Retirement Accounts (IRAs)—you and your eligible employees must each establish an IRA under your SEP-IRA plan

### CONTRIBUTION LIMITS

- Potentially offers significantly higher contribution limits than a Traditional IRA: up to \$50,000 for 2012 and \$51,000 for 2013

### TAX BENEFITS

Generally, all contributions to a SEP-IRA are tax deductible—and any investment earnings accumulate on a tax-deferred basis until withdrawn at retirement. If you are self-employed (unincorporated), you may deduct contributions to your own account from your earned income and deduct, as a business expense,<sup>1</sup> contributions you've made to employees' SEP-IRAs.



If your business is incorporated, you may deduct contributions to your own account and employees' accounts as a business expense.

The chart below, which assumes a 20% SEP-IRA contribution, shows how a SEP-IRA can help reduce current taxes for a self-employed (unincorporated) individual.<sup>2</sup>

#### FLEXIBILITY

The rules governing SEP-IRA contributions are flexible. Contributions are made by you, directly to your own account and the accounts of each eligible employee. Best of all, with annual notice to any eligible employees, your contributions can vary each year. You have the option of skipping contributions any year you want.

#### FREEDOM OF CHOICE

Each employee chooses his or her own investments within his or her own SEP-IRA and has complete discretion to move his or her SEP-IRA to any other institution at any time. This feature gives your employees control of the retirement plan contributions you make on their behalf.

#### INVESTMENT CHOICES

Investment flexibility is a key feature of the Premiere Select® SEP-IRA. Because you recognize that not all your employees have the same level of investing experience, the Premiere Select® SEP-IRA can accommodate the needs of all levels of investors by offering access, through a brokerage account, to investment products, such as individual securities and a vast array of mutual funds. Your employees may have their investment professional assist them with selecting the appropriate investments for them. This gives employees the ability to create a portfolio specifically designed to help meet their financial planning needs.

	WITHOUT A SEP-IRA	WITH A SEP-IRA
Income from business	\$50,000	\$50,000
Less deduction for self-employment tax	\$3,532	\$3,532
Less contribution to SEP-IRA	\$0	\$9,294
Taxable income	\$46,468	\$37,174
Federal income tax of 25%	\$11,617	\$9,294
<b>Current tax year savings by contributing to a SEP-IRA</b>	<b>\$0</b>	<b>\$2,323</b>

After-tax returns will vary depending on prevailing tax rates and your personal circumstances. This hypothetical example is for illustrative purposes only and does not take into account the effect of exemptions; itemized deductions; and FICA, state, and local taxes. Contributions and earnings will be taxed when withdrawn at the tax rate in effect at that time.

SEP- IRA HIGHLIGHTS	
Suitable for	Self-employed individuals, small-business owners, and independent contractors who want a plan that is easy to set up and administer
Employer eligibility	Employers who do not currently maintain a qualified plan may adopt the IRS model Form 5305-SEP.
Employee eligibility	The plan must include employees who: <ul style="list-style-type: none"> <li>• Are at least 21 years of age</li> <li>• Have worked for the employer for at least three of the last five years and earned at least \$550 in compensation for 2012 and 2013</li> </ul>
Deductibility	Contributions are tax deductible for the employer.
Contribution limits	The maximum contribution is the lesser of 25% of total compensation* or \$50,000 for 2012 and \$51,000 for 2013 per participant (approximately 20% if self-employed).
Contribution frequency	Pursuant to an annual allocation formula communicated to employees, the employer decides when to contribute and how much to contribute. Yearly contributions are not required, although when contributions are made, they must be made uniformly for all eligible employees and the employer must send each eligible employee written notification of the amount contributed for the calendar year.
Uniform contribution	The same contribution percentage must be used for all eligible employees and the employer when contributions are made to the plan.
Deadline to establish the plan	The plan must be set up by the employer's tax-filing deadline, including extensions.
Contribution deadline	Contributions are due by the employer's tax-filing deadline, including extensions, for the year for which the contributions are made.
Vesting	100% immediate vesting
Distributions	Distributions are available at any time; however, taxes and penalties may apply. Penalty-free distribution events include: <ul style="list-style-type: none"> <li>• Attainment of age 59½</li> <li>• Death</li> <li>• Disability (as defined by the IRC)</li> <li>• Certain substantially equal payments</li> <li>• Certain unemployment expenses</li> <li>• Qualified higher education expenses</li> <li>• Qualified first-time home purchase (\$10,000 lifetime limit)</li> <li>• Certain medical expenses in excess of 7.5% AGI (Adjusted Gross Income)</li> <li>• Qualified reservists<sup>†</sup></li> </ul> <p>Generally, minimum distributions must begin by April 1 following the year an individual turns age 70½ and must occur by December 31 each year thereafter.</p>

\*For 2013, the maximum compensation on which contributions can be based is \$255,000.

<sup>†</sup>A qualified reservist distribution is made to an individual ordered or called to active duty for at least 180 days. Applies to distributions taken after—and individuals called to active duty after—September 11, 2001.

## Three easy steps



Once you've decided to establish a SEP-IRA for yourself and your employees, simply follow these steps:

### **STEP 1** **REVIEW THE ENCLOSED EMPLOYER GUIDE**

The guide provides instructions for adopting and maintaining the IRS model Form 5305-SEP — as well as establishing and funding Premiere Select SEP-IRA accounts.

### **STEP 2** **HAVE ELIGIBLE EMPLOYEES COMPLETE A PREMIERE SELECT IRA APPLICATION**

One application kit is enclosed. Your investment professional can provide you with additional kits, if necessary.

### **STEP 3** **SEND FORMS TO YOUR INVESTMENT PROFESSIONAL**

Once your Premiere Select IRA application(s) and any other applicable forms have been received, your investment professional will have your account(s) established and your request processed.





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<sup>1</sup>The Premiere Select® SEP-IRA Plan under IRS model Form 5305-SEP must be maintained on a calendar-year basis. Tax-deductible contributions are deductible for the business tax year within which the calendar year ends. Contributions made for a particular tax year are deductible for that tax year if contributed by the due date of your income tax return, including extensions.

<sup>2</sup>The contribution amount is determined by applying the desired percentage (20%) to the income from the business, less the deduction for self-employment tax and the amount contributed to the SEP-IRA.