

# Simplified Employee Pension Plan (SEP)

## FACT SHEET

Simplified Employee Pension Plan Overview	
<b>Tax Advantages</b>	<ul style="list-style-type: none"> <li>• Employer contributions are tax deductible</li> <li>• Plan can be established as late as the employer's tax filing due date, including extensions</li> <li>• Employees pay no income taxes on contributions or earnings until they are received by the participant or their beneficiary</li> <li>• Tax deferral maximizes the compounding value and increases the participant's ultimate retirement income</li> <li>• Flexible distributions are available through employee-controlled periodic payments from their SEP IRA</li> </ul>
<b>Plan Features</b>	<ul style="list-style-type: none"> <li>• Eligibility requirements can include up to age 21, one hour or more of service during three of the preceding five years</li> <li>• Employees covered under a collective bargaining agreement can generally be excluded</li> <li>• Contributions are discretionary (from 0 to 25%) each year</li> <li>• Contributions are allocated as a percentage of compensation</li> <li>• SEP IRA accounts must be established for each eligible employee</li> <li>• Employer contributions are deposited in each employee's SEP IRA</li> <li>• The participant's account balance is available after age 59½, or due to disability or death without an IRS 10% early withdrawal penalty</li> <li>• Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the IRS RMD age</li> <li>• Younger and long-term employees benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings</li> </ul>
<b>Contributions (Employer Only)</b>	<ul style="list-style-type: none"> <li>• The employer's contribution/deduction is limited to 25% of the eligible participants' aggregate compensation</li> <li>• Contributions must be made before the due date (including extensions) of the employer's tax return</li> <li>• The maximum annual addition to a participant's account is 25% of their compensation, subject to a \$66,000 annual limit (2023)</li> </ul>
<b>Plan Suitability</b>	<p><b>SEPs are favored when the employer:</b></p> <ul style="list-style-type: none"> <li>• Wants flexibility in making contributions</li> <li>• Wants a no-cost and easy-to-understand plan</li> <li>• Has relatively young key employees</li> <li>• Wants to attract and keep key employees</li> </ul>
<b>Advantages of choosing a SEP Plan</b>	<ul style="list-style-type: none"> <li>• No set up or administration fees</li> <li>• Easy to set up</li> <li>• Adopt a board resolution (if incorporated)</li> <li>• Complete 5305-SEP Form</li> <li>• Give a copy of 5305-SEP to each eligible employee</li> <li>• Establish a SEP IRA account for each eligible employee</li> <li>• Employees with less than three years of service can be excluded</li> <li>• No Internal Revenue Service filings are required (Form 5500, etc.)</li> <li>• Employees control their SEP IRA account</li> </ul>

## Your path *To and Through Retirement*<sup>®</sup> begins here.

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Talk to your financial professional to see whether a SEP Plan  
can complement your retirement portfolio or contact us at 800.747.5164, Option 3.

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22-31902-09 | 2023/01/01