



Simplified Employee Pension Plan (SEP)

FACT SHEET

Simplified Employee Pension Plan Overview	
Tax Advantages	<ul style="list-style-type: none"> • Employer contributions are tax deductible • Plan can be established as late as the employer's tax filing due date, including extensions • Employees pay no income taxes on contributions or earnings until they are received by the participant or their beneficiary • Tax deferral maximizes the compounding value and increases the participant's ultimate retirement income • Flexible distributions are available through employee-controlled periodic payments from their SEP IRA
Plan Features	<ul style="list-style-type: none"> • Eligibility requirements can include up to age 21, one hour or more of service during three of the preceding five years • Employees covered under a collective bargaining agreement can generally be excluded • Contributions are discretionary (from 0 to 25%) each year • Contributions are allocated as a percentage of compensation • SEP IRA accounts must be established for each eligible employee • Employer contributions are deposited in each employee's SEP IRA • The participant's account balance is available after age 59½, or due to disability or death without an IRS 10% early withdrawal penalty • Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the IRS RMD age • Younger and long-term employees benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings
Contributions (Employer Only)	<ul style="list-style-type: none"> • The employer's contribution/deduction is limited to 25% of the eligible participants' aggregate compensation • Contributions must be made before the due date (including extensions) of the employer's tax return • The maximum annual addition to a participant's account is 25% of their compensation, subject to a \$72,000 annual limit (2026)
Plan Suitability	<p>SEPs are favored when the employer:</p> <ul style="list-style-type: none"> • Wants flexibility in making contributions • Wants a no-cost and easy-to-understand plan • Has relatively young key employees • Wants to attract and keep key employees
Advantages of choosing a SEP Plan	<ul style="list-style-type: none"> • No set up or administration fees • Easy to set up • Adopt a board resolution (if incorporated) • Complete 5305-SEP Form • Give a copy of 5305-SEP to each eligible employee • Establish a SEP IRA account for each eligible employee • Employees with less than three years of service can be excluded • No Internal Revenue Service filings are required (Form 5500, etc.) • Employees control their SEP IRA account

Your path *To and Through Retirement*[®] begins here.

Talk to your financial professional to see whether a SEP Plan can complement your retirement portfolio or contact us at 800.888.2461.

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