



Penn Rise Benefits

“See what’s on your horizon”

Penn Rise Benefits, Inc. • P.O. Box 182 • Downingtown, PA 19335

Benefits of a SEP IRA Plan

What is it?

A SEP (Simplified Employee Pension) IRA is an inexpensive retirement plan designed specifically for owner-only and small businesses. Contributions are made entirely by the company and are tax-deductible business expenses. Employer contributions are made on a pre-tax basis into an individual IRA for each eligible employee and the investments grow tax-deferred until withdrawn. Withdrawals are taxed at the employee’s tax rate after age 59 1/2.

How does it work?

SEP IRA’s allow employers to choose how they want to contribute

funds for their employees each year. While company contributions are mandatory for eligible employees, the company can choose how much to contribute. The company may choose to contribute up to 25% of compensation (20% of self-employed income) to eligible employees every year. All contributions must be equally distributed to all eligible employees. Employees may not contribute to the account, as all participating investments are made by the business or corporation. In 2008, employers can contribute up to \$46,000 per year. Eligible employees are those that earn at least \$500 per year, are over age 21 and has worked for your business for 3 of the last 5 years.

Is it hard to maintain?

Contributions are entered in a spreadsheet format and electronically submitted. Purchases are controlled by the owner and made electronically directly from the company’s bank account. There are no testing (ADP, ACP) or F5500 reporting requirements to the IRS for this plan. The plan costs between \$10-\$15 per employee to establish plus an annual \$10-\$20 fee per account. SEP IRA employer contributions are not subject to federal income tax withholding. Investment elections are maintained individually by each employee. Our firm will personally enroll, help select investment options and perform reviews for each eligible employee.

Sample Plan Summary

| Employer | Estimated Annual Salary | 3% Employer Contribution | Payroll Tax Savings |
|------------|-------------------------|--------------------------|---------------------|
| Owner | \$100,000 | \$3,000 | \$483 |
| Employee 1 | \$35,000 | \$1,050 | \$169 |
| Employee 2 | \$45,000 | \$1,350 | \$217 |
| Employee 3 | \$30,000 | \$900 | \$145 |
| Employee 4 | \$47,000 | \$1,410 | \$227 |
| Total | \$257,000 | \$7,710 | \$1241 |

TALK TO US TODAY!

To begin your SEP IRA, contact Karl Klingmann at:

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The above example is a hypothetical illustration of the tax savings and contributions made into a SEP IRA plan. All information herein is believed to be accurate but cannot be guaranteed. Consult your tax advisor for further information.

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