

MERRILL SMALL BUSINESS SIMPLE IRA

Keep retirement planning simple

If you're a small business owner who wants to help your employees plan for retirement, consider a Savings Incentive Match Plan for Employees (SIMPLE) IRA. A SIMPLE IRA is an affordable retirement solution designed to fit the needs of small businesses.

Contributions are made to individual retirement accounts (IRAs) that are set up for you and your eligible employees. The simplified IRA structure makes a SIMPLE IRA a reasonable option for small business owners looking for a low-maintenance, low-cost plan that offers the potential tax benefits and compounding growth you would want from your workplace retirement plan.

Is a SIMPLE IRA right for your business?

In a SIMPLE IRA, you're required to make contributions to the plan on behalf of your employees. Employees can also make their own contributions through convenient payroll deductions. Reviewing the requirements of a SIMPLE IRA may also help you evaluate if it's the right plan for your business.¹

Features include:

- Potential tax benefits
- Minimal paperwork and administration
- Cost-effective way to help attract and retain employees
- Employee tax-deferred contributions through convenient payroll deductions
- Mandatory employer contribution with your choice of two contribution options

Almost any type of business (including sole proprietors) with 100 or fewer employees, earning at least \$5,000 during any two preceding calendar years, can establish a SIMPLE IRA.

Time-saving services help make operating your plan easier

Merrill Lynch E-Contribs for Small Business Retirement Accounts™

A free service that provides small business owners with a convenient web-based solution for making contributions to retirement plan accounts.

Automated investment program

Provides a systematic way to invest in mutual funds on a schedule based on your needs.

Managed money solutions

Offers discretionary, fee-based investment services.

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Benefits to your business

Potential tax benefits

- Contributions you make to the individual accounts in your SIMPLE IRA are generally tax deductible by the business.
- Your business may be eligible for a plan startup tax credit of up to \$5,000 for each of the first three years if this is your first SIMPLE IRA.²
- Employers who start a new plan can receive a tax credit for five years of up to \$1,000 per employee equal to the applicable percentage of eligible employer contributions to an eligible employer plan. This credit applies to employers with up to 50 employees and is phased out for employers with between 51 and 100 employees. There is an exception for employees with wages in excess of \$100,000.

Low fees, less paperwork

- There's no plan setup fee or administrative fees.
- Account-level fees may also apply for certain transactions, including account closure.
- There's generally less ongoing administration compared to other employer-sponsored retirement plans, such as a 401(k).
- There's no requirement for certain Internal Revenue Service (IRS) testing and Form 5500 filing.
- Access your information through a secure platform.

Competitive edge

- Establishing a SIMPLE IRA may be a tool to help attract and retain employees.³
- You may consider offering a SIMPLE IRA if your business has steady income to help you meet your commitment to funding the plan.

SIMPLE IRAs: A closer look

Deadline to establish	Between January 1 and October 1 of the current year, unless it's a plan for a new business that was established after October 1 of the SIMPLE IRA plan setup year										
Contribution limits	<p>Pretax contributions by employees</p> <p>Plus a mandatory employer contribution of either:</p> <ul style="list-style-type: none">• Dollar-for-dollar match of up to 3% of compensation (you may reduce the match to as little as 1%, but for no more than two of every five consecutive years) <p>OR</p> <ul style="list-style-type: none">• Across-the-board from 2% up to 10% of compensation for all eligible employees										
Contribution limits⁴	<table><tr><td>Annual maximum participant contribution limit</td><td>\$16,500</td></tr><tr><td>Catch-up contribution</td><td>\$3,500⁵</td></tr><tr><td>(for those age 50 and older)⁵</td><td></td></tr><tr><td>Enhanced catch-up contribution</td><td>\$5,250</td></tr><tr><td>(for those age 60-63)</td><td></td></tr></table>	Annual maximum participant contribution limit	\$16,500	Catch-up contribution	\$3,500 ⁵	(for those age 50 and older) ⁵		Enhanced catch-up contribution	\$5,250	(for those age 60-63)	
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Investment decisions	Made by employee										
Vesting	Immediate										
Ongoing maintenance	Annual notice to eligible employees (required)										

Benefits to you and your employees

A potential nest egg for the future

- A SIMPLE IRA allows convenient pre-tax salary deferrals, so the money is invested before individuals have a chance to spend it.
- The employer's mandatory contribution to employees' SIMPLE IRAs may help your employees get on the path to financial wellness in the future.
- Add to this the power of compounding. Earnings realized on investments—including interest, dividends or other returns—may then accumulate additional earnings.

Tax benefits

- Pay tax on the contributions and earnings when withdrawn in retirement, at which time you may be in a lower tax bracket.⁶
- Individuals who make salary-deferral contributions may qualify for an income tax credit.⁷

Investment choices and flexibility

- Employees can control how they invest their assets and may choose to invest in a variety of investment options.
- All contributions are 100% vested immediately.
- Investments may be subject to commissions, loads and operating expenses.

Eligibility

- Any employee who received \$5,000 or more in compensation in any two preceding calendar years and who is reasonably expected to earn at least \$5,000 in the current year.

What else do you need to know?

- A SIMPLE IRA must be maintained on a calendar-year basis.⁸
- An eligible employer who adopts a SIMPLE IRA and who fails to be an eligible employer in a subsequent year will be treated as an eligible employer for the following two years.
- A SIMPLE IRA is considered an employer-sponsored retirement plan. Therefore, an individual's eligibility to make deductible contributions to a traditional IRA may be reduced or eliminated by participation in a SIMPLE IRA.
- After a two-year waiting period has been satisfied, employees may transfer or roll over SIMPLE IRA assets to a traditional IRA or another employer-sponsored retirement plan or convert them to a Roth IRA. Within the two-year period, SIMPLE IRAs may only roll over to other SIMPLE IRAs.
- Employees can elect to participate in the plan or modify existing salary-deferral elections within 60 days of the start of each plan year, and they can discontinue their salary-deferral contribution at any time.
- Under the SECURE Act of 2022 ("SECURE 2.0"), employers may be able to allow Roth contributions. Currently, Merrill is not offering this SIMPLE Roth IRA option. Note: Roth contributions may be available in a 401(k) plan.

Take the SIMPLE approach to retirement

Get started today by contacting a Merrill advisor.

¹ For more information, see IRS Publication 560: Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

² Retirement Plans Startup Costs Tax Credit. Please refer to IRS.gov for more information.

³ Employee Benefit Research Institute (EBRI), Issue Brief No. 600, Small Business Retirement Survey, February 1, 2024.

⁴ Contribution limits apply for 2025. Compensation limit per employee is \$350,000. Limits for subsequent years may vary. Under SECURE 2.0, employers may be able to allow for increased employee and employer contributions if certain conditions are met. You should consult with your tax and legal advisors, IRS.gov and IRS Publication 560 for additional guidance.

⁵ Effective January 1, 2025, catch-up contributions are increased to \$5,250 for individuals who attain age 60, 61, 62 or 63 in 2025. In the year in which an individual attains age 64 or greater, the regular catch-up contribution limit applies.

⁶ Withdrawals are subject to ordinary income tax. In addition, a federal 10% additional tax may apply to withdrawals taken prior to age 59½. If funds are withdrawn within two years of first participating in a SIMPLE account, a 25% additional tax applies instead of 10%.

⁷ Retirement Savings Contributions Credit (Saver's Credit). Please refer to irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit for more information.

⁸ Under SECURE 2.0, SIMPLE plans may terminate midyear if a safe harbor 401(k) plan is adopted in its place. Transitions from SIMPLE IRAs to 401(k) plans or 403(b) plans would also be facilitated by allowing rollovers under certain conditions. See IRS Notice 2024-2 and consult with your tax and legal counsel for additional guidance regarding midyear SIMPLE IRA plan terminations.

Investing involves risk, including the possible loss of the principal value invested.

Merrill, its affiliates and financial advisors do not provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

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