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SEP and SIMPLE IRA Plans

Avoiding Pitfalls



Choosing



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	SEP	SIMPLE
Available to	Any size business	≤ 100 Employees
Adopt a	Form 5305-SEP	Form 5304/5305-SIMPLE
Or adopt a	Prototype/Individually designed plan	
Filing requirement	No	No
Employee Contributions	No	Yes



Establishing

SEP

SIMPLE

Select a financial institution

Execute a written agreement

Provide employees information

Set up an IRA for each employee

TIMING of establishing plan is different



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Participating



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	SEP	SIMPLE
	Age 21	\$5000 Compensation
	Worked 3 of last 5 years	During any 2 prior years &
	\$600 Compensation	Expect \$5000 in current year
Less restrictive OK	Yes	Yes
Exclude employees	Yes	Yes



Operating & Maintaining

SEP – Employer Contributions

Amounts and Limits

When & Where Made

Withdrawals & Rollovers - Yes

Loans - **No**

Filing & Notice Requirements



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Operating & Maintaining

SIMPLE – Contributions

Employee Salary Deferrals

Employer Contributions

Withdrawals & Rollovers - Yes

Loans - **No**

Filing & Notice Requirements



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Find, Fix, & Avoid Recurring Errors



Both SEP & SIMPLE

Non and Late Amenders

“Compensation” Definition

Excluding Participants

Related Businesses & Participation

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Find, Fix, & Avoid Recurring Errors



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SEP

Contribution Allocations

IRC 415 Limits

Allowing Salary Deferrals



Find, Fix, & Avoid Recurring Errors



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SIMPLE

Matching Contributions

Late Deferral Deposits

60-Day Notice Requirements



**ATTENTION:
PLAN
SPONSORS!**

**EMPLOYEE PLANS
COMPLIANCE RESOLUTION
SYSTEM**

The EPCRS Menu

**What's
Your
Choice?**

The impact of
non-compliance left unchecked
can be costly.

**Preventive Maintenance –
Fix Mistakes Immediately!!**



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	Audit CAP	Voluntary Correction	Self- Correction
Cost of Correction			
IRS Fees			\$0
Time Involved			
Result			



Correcting Plan Errors Web Resources



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www.irs.gov/retirement

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- Correcting Plan Errors website
- Checklists
- Fix-it Guides



Terminating



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	SEP	SIMPLE
Notify IRS?	No	No
Timeframes?	No	Yes
Step 1	Notify financial institution	Notify employees
Step 2	Notify employees (not required)	Notify financial institution
Step 3	X	Keep records



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Web Resources

www.irs.gov/retirement

- Latest news
- Webinars
- FAQs
- Newsletters
- Examinations and enforcement