

# SIMPLE IRA Employee Reference - 2025

As an employee, your employer has provided you the opportunity to save for retirement through a SIMPLE (Savings Incentive Match Plan for Employees) IRA. Here are some of the features and benefits to you.

## Wealth Solutions Group

Contact your Financial Advisor with questions.

## SALARY DEFERRAL CONTRIBUTIONS

You may contribute as much as 100% of your salary up to \$16,500 to a SIMPLE IRA (\$20,000) if you are age 50 or older. The money is taken directly from your paycheck and reduces the amount of your income that is taxed. For example, if you are in the 15% tax bracket and contribute \$100 to your SIMPLE IRA, you will save \$15 in taxes plus your \$100 is being invested – you're ahead already!

**Optional Secure Act Provision:** For employers with no more than 25 employees, the annual deferral limit and catch-up contribution at age 50 increases to 110% of the Simple IRA plan limit. For 2025, this higher amount remains \$17,600.

*Example:* The \$16,500 annual limit can increase the deferral limit to \$17,600 and the catch-up to \$3,850 for employees sponsored by an employer with 25 or fewer employees.

**Secure Act Provision:** Starting in 2025, Individuals age 60-63 have an enhanced catch-up contribution limit of \$5,250.

**Optional Secure Act Provision:** Employers can allow participants to elect Roth deferrals, and contributions to those Roth accounts would be considered income to the participant, while qualified distributions from the account would be tax-free.

## EMPLOYER CONTRIBUTIONS

Your employer will make either:

- A matching contribution up to 3% to all employees who are contributing or,
- A 2% contribution to all eligible employees regardless of whether or not they are contributing.
- **Optional Secure Act Provision:** Employers with 26–100 employees are allowed to provide these higher deferral limits (110% increase), provided that the employer either makes a 4% matching contribution or a 3% employer non-elective contribution.
- **Optional Secure Act Provision:** Permits an employer to make additional contributions to each participant in the plan in a uniform manner, provided that the contribution does not exceed the lesser of 10% of compensation or \$5,100.
- **Optional Secure Act Provision:** Employers can elect to allow participants to treat employer contributions (match or nonelective) as Roth. Any Roth contribution would then be includable in the participants taxable income in the year the contribution is made.

## MID-YEAR TERMINATION OF SIMPLE

**Optional Secure Act Provision:** Now employers have the option to terminate a SIMPLE plan mid-year if a safe harbor 401(k) plan is adopted to replace the plan. Guidance on this provision includes:

- **Termination Process:** An employer terminates a SIMPLE IRA plan by formal written action specifying the termination date. No salary reduction contributions are allowed for compensation paid after the termination date. The Employer must still make matching contributions based on compensation through the termination date.
- **Notification Requirements:** Employers must notify employees at least 30 days before termination, specifying the end of salary reduction contributions.
- **Distribution Rollover:** Distributions, even those within the first two years of participation, may be rolled over to a 401(k) or 403(b) plan.
- **Exception of Other Plan Rule:** Establishing a safe harbor plan is an exception to the rule prohibiting both a SIMPLE IRA plan and another plan in the same calendar year as long they are not active simultaneously.
- **Deferral Limits:** If a SIMPLE IRA plan is replaced by a safe harbor 401(k) plan mid-year, the total elective contributions must not exceed the weighted average of limits for each plan during the transition year.
- **First Safe Harbor Notice:** The notice required for the transition year must describe the weighted contribution limit—it cannot simply reference the annual limit.

Here is an example of how your contributions and employer match could grow over time:

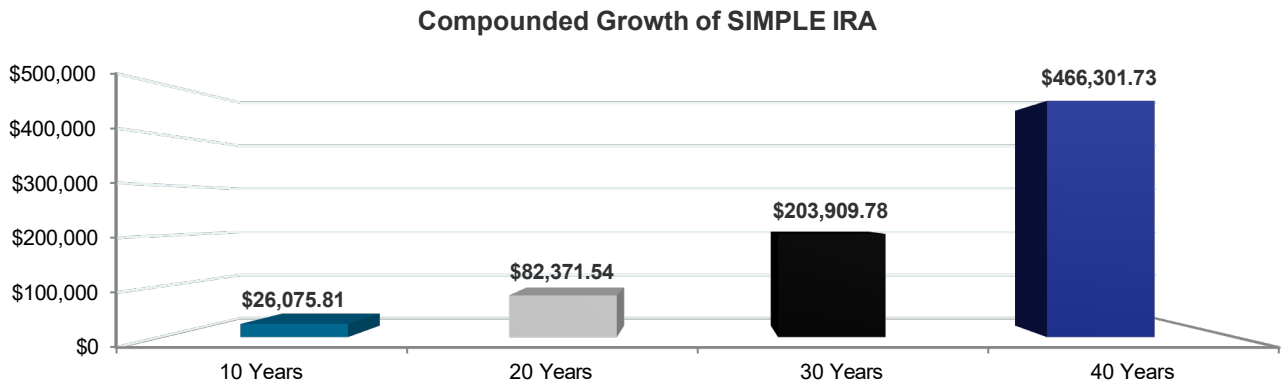


Chart assumes employee contribution of 3% per year from an annual salary of \$30,000; employer matching contribution of 3% per year and an annual investment growth of 8%. Investment growth is not guaranteed.

## GET STARTED TODAY!

The combination of the money you invest, the tax savings today, your employer contributions and possible investment growth make participating in a SIMPLE IRA an outstanding way to save for your retirement!

Distributions prior to age 59 ½ are subject to a 25% penalty if distributed within two years from the date of first contribution (10% penalty when longer than two years).