2021 SIMPLE IRA Information

SIMPLE IRA Definition

A Saving Incentive Match Plan for Employees (SIMPLE IRA) is an employer-sponsored retirement savings plan similar to a 401(k), where employees can make contributions from their earnings before paying taxes. These plans are offered by small businesses with 100 or fewer employees.

SIMPLE IRA Contribution Information

- SIMPLE IRAs must be owned by an individual – joint ownership is not allowed.
- Employees are not required to make regular salary deferral contributions to their SIMPLE IRA.
- Employees are always 100% vested in or have ownership of all SIMPLE IRA money.
- Employees who are age 70 ½ or over are still permitted to make SIMPLE IRA salary deferred contributions.
- If SIMPLE IRA salary deferral or employer contributions in any given year exceed the annual limit, the overage may be included in your taxable income, and may result in a special fee to the plan sponsor depending on what is done with the overage.
- Employers may be required to contribute to the employee's SIMPLE IRA.
- Employers must match the employee's salary deferral contributions dollar for dollar up to 3% of the employee's compensation or the employer must contribute a flat 2% of compensation for each employee with at least $5,000 in compensation for the year, regardless of the amount the employee contributes. Compensation is limited if determining the matching contribution.

SIMPLE IRA	
Annual Maximum Employee Salary Deferral Contribution Limit Under Age 50	$13,500
Annual Maximum Employee Salary Deferral Contribution Limit at Age 50 or Older	$16,500
Annual Compensation Limit	$290,000

SIMPLE IRA Tax Information

- Contributions to your SIMPLE IRA are **not** subject to federal income tax until withdrawn.
- SIMPLE IRA plans require you to begin taking Required Minimum Distributions starting at age 72, even if contributions are still being made.
- All salary deferral contributions made to a SIMPLE IRA are on a pre-tax basis.

Withdrawal & Distribution Information

- Withdrawals or distributions, including interest earnings, are considered **taxable** income when taken.
- A SIMPLE IRA **cannot** be rolled over or transferred to a Traditional IRA or other qualified tax arrangement without a waiting period of two years from the date the employee first participated in the plan.
- SEP IRA's, Traditional IRA's and other qualified tax arrangements **cannot** be "rolled over or transferred" into a SIMPLE IRA without a waiting period of two years from the date the employee first participated in the plan.
- SIMPLE IRA's do **not** allow loans to be taken and the asset may **not** be used as collateral.
- If the participant is under the age of 59 ½ and wishes to take a distribution and it has been less than two years since their first contribution into the plan, they could be subject to a 25% federal additional tax.
- A 10% federal additional tax may be applied to withdrawals taken before the age of 59 ½ and after 2 years of participation.