



Invesco SIMPLE IRA Business owner guide



As a self-employed person, how will you pay for your living expenses when you're no longer able to work? And how much will you need?

47% of small business owners do not yet have a plan in place.³

If these are questions you haven't asked yourself yet, here are some things you should know:

1. You're not alone.	Only 48% of workers report they have tried to calculate how much money they need to save by the time they retire so they can live comfortably in retirement. ¹
2. You may not be able to rely on Social Security.	The Social Security Administration estimates the Social Security Trust Fund will be depleted and unable to pay scheduled benefits in full on a timely basis starting in 2034. ²
3. You may need more than you think.	Many financial planners estimate you'll need between 60% and 70% of your current income to maintain your current standard of living in retirement.

A SIMPLE IRA is a retirement plan designed for small businesses and self-employed individuals.

Save for your retirement – and improve your tax situation – while rewarding your employees

The good news is there are several retirement plans available to small business owners that can help both you and your employees save for retirement. One option to consider is a SIMPLE IRA.

¹ Source: Employee Benefit Research Institute and Greenwald & Associates, 2016 Retirement Confidence Survey.

² Source: SSA.gov

³ Source: TD Bank, Small Business Owners Survey, April 2015.

Benefits of having a SIMPLE IRA for your small business

- 1 Tax savings** – Employer contributions to the plan are deductible as a business expense.
- 2 Employee retention** – Workers highly value employer-sponsored retirement benefits with 45% stating their company's retirement program was an important reason to stay with the company.¹
- 3 Simplicity** – A SIMPLE IRA is easy to set up and operate. You are not required to file a Form 5500, and there are no discrimination or top-heavy tests. Invesco provides all the forms required to establish a plan. In order to simplify the contribution process, contributions can be wired electronically.

At a glance	
Who makes contributions	Employer and employee
Who makes investment decisions	Employee
Maximum contribution limit for salary deferrals	The lesser of 100% of compensation or \$12,500 (\$15,500 if you're age 50 or older) for 2017 ²
Employer contribution options	Option A: A dollar-for-dollar match up to 3% of each participating employee's compensation ³ Option B: A contribution equal to 2% of each eligible employee's compensation (compensation limited to \$270,000 for 2017), whether or not they elect to make salary deferrals ²
Vesting	100% immediate
Who is eligible	May be restricted to those who earned at least \$5,000 from the employer in any two preceding years and are expected to earn at least \$5,000 in the current year ⁴
Fees	Invesco assesses an annual maintenance fee of \$15 per account, automatically deducted from each participating employee's account ⁵
Employer eligibility	An employer with 100 or fewer employees – who at any time in the preceding tax year earned at least \$5,000 in compensation – may sponsor a SIMPLE IRA. The employer must not maintain any other plans. ⁶

1 Source: Towers Watson 2013/2014 Global Benefit Attitudes Survey – U.S.

2 Indexed for inflation

3 Not to exceed \$12,500 (\$15,500 for employees age 50 or older) for 2017. Indexed for inflation. Employer can reduce match to 1% in no more than two out of every five years.

4 Nonresident aliens and employees subject to collective bargaining agreements may be excluded. Employers may designate less restrictive requirements at their discretion. Minors may not open an Invesco SIMPLE IRA. The employer will provide the employee a Summary Description that outlines eligibility requirements for their plan.

5 Annual fee is waived for account balances of \$50,000 or more.

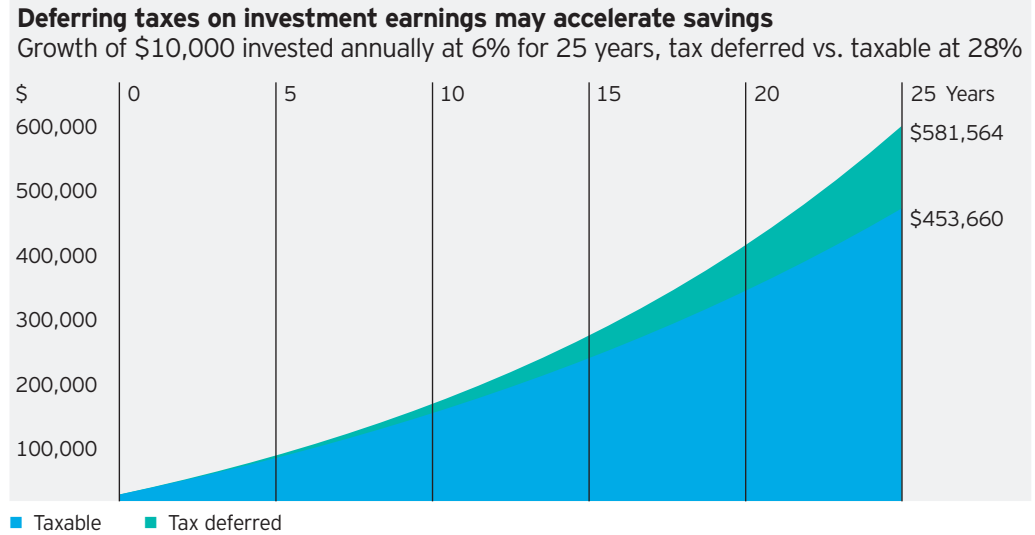
6 Exceptions may apply - contact your tax or financial advisors.

This information is not intended as tax advice. Investors should consult a tax advisor.

Take advantage of tax-deferred growth

Investing in a tax-deferred account could potentially mean **\$127,904** more saved for retirement than if you invest in a taxable account.

You can potentially accumulate assets much faster in a SIMPLE IRA than in a taxable savings account. Contributions plus earnings – reinvested interest, dividends and capital gains – compound tax deferred until you withdraw them as retirement income. Please keep in mind that withdrawals made prior to 59½ will be taxed as ordinary income and may be subject to additional tax penalties. Also, consider your current and anticipated investment horizon and income tax bracket before making an investment.



The hypothetical examples and estimates of a 6% average annual total return are for illustrative purposes only and are not intended to represent the performance of a particular investment product or a real investor. Your actual return and tax bracket aren't likely to be consistent from year to year, and there is no guarantee that a specific rate of return will be achieved. The example assumes that an individual in the 28% tax bracket made annual \$10,000 contributions and does not adjust for increases in the annual IRS contribution limits and assumes no withdrawals. This illustration does not reflect the performance of or fees and charges associated with any specific investment, nor does it take into account the effect of inflation. Tax rates and brackets are subject to change. The tax-deferred account will be taxed as ordinary income upon distribution while the lower maximum tax rates on capital gains and qualified dividends would make the return on the taxable investment more favorable, thereby reducing the difference in performance between the two accounts shown. Investment returns fluctuate over time and losses can occur. This hypothetical is based on current tax laws which are subject to change. This information is not intended as tax advice. Investors should consult a tax advisor.

Frequently asked questions

What is a SIMPLE IRA?

A SIMPLE IRA is a retirement plan designed for small businesses and self-employed individuals that enables employees to make pre-tax payroll deduction contributions in conjunction with a matching or nonelective contribution from the employer. Contributions are made to each eligible employee's SIMPLE IRA and the employee directs the investments.

Who can set up an Invesco SIMPLE IRA?

Any employer (including self-employed individuals, tax-exempt organizations and governmental entities) that have no more than 100 employees with \$5,000 or more in compensation during the preceding calendar year (the "100-employee limitation") can establish a SIMPLE IRA plan.

Who are eligible employees?

Eligible employees may be restricted to those who earned at least \$5,000 from the employer in any two preceding years (whether or not consecutive) and are expected to earn at least \$5,000 in the current year. Nonresident aliens and employees subject to collective bargaining agreements may be excluded. You may designate less restrictive requirements at your discretion.

Are there any fees associated with an Invesco SIMPLE IRA?

Yes. The annual maintenance fee is currently \$15 per employee and is automatically deducted from the employee's account. The annual fee is waived for account balances of \$50,000 or more.

Must I contribute annually to a SIMPLE IRA?

Yes. The employer must make contributions to a SIMPLE IRA in one of two ways:

- Option A: 3% match contributions. Match your employees' salary deferrals dollar for dollar, up to 3% of each participating employee's compensation. (Match not exceeding \$12,500 for employees younger than 50 and \$15,500 if age 50 and over for 2017.)
- Option B: 2% non elective contribution. Contribute 2% of each eligible employee's compensation (compensation limited to \$270,000 for 2017 – subject to cost-of living adjustments), whether or not they elect to make salary deferrals.

Are any discrimination tests required?

No. There are no minimum participation requirements, actual deferral percentage/actual contribution percentage discrimination tests or top-heavy tests.

When must SIMPLE IRA contributions be made?

SIMPLE IRA salary deferral contributions must be invested as soon as reasonably possible, but no later than 30 days after the end of the month in which they were withheld. All salary deferrals must be reported on Form W-2. Employer contributions must be made by the due date (including extensions) for filing the employer's tax return. Salary deferral contributions and employer contributions will be reported by Invesco on Form 5498.

How are salary reduction contributions treated for tax purposes?

The amount contributed to the SIMPLE IRA is excluded from the employee's income and is not included as federal taxable wages on the employee's Form W-2. Salary deferral contributions are subject to FICA and FUTA taxes and must be reported on Form W-2. Social Security taxes are not paid on employer-matching or nonelective SIMPLE IRA contributions.

Can contributions be made for employees older than 70½?

Yes, but the employees must also receive a distribution that satisfies the 70½ required minimum distribution rules for IRAs.

Explore High-Conviction Investing with Invesco

At Invesco, we're dedicated to delivering an investment experience that helps you get more out of life. Our comprehensive range of high-conviction investment capabilities is designed to help you build portfolios in more precise and impactful ways, and not just settle for average. This high-conviction approach is built on three core tenets:

A pure focus on investing

All we do is investment management. That means we are solely focused on delivering high-conviction portfolio solutions to meet your unique needs.

Diversity of thought

Each of our investment teams is empowered to implement its own trusted investment philosophy and process. Our diverse range of capabilities allows you to create high-conviction portfolios custom-built for your needs.

Passion to exceed

We are passionate about going beyond average to uncover high-conviction opportunities and provide an exceptional client experience.



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The information contained here is not tax advice. Please consult your tax advisor about your particular situation.
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