Invesco SEP Plan
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?

34% of small business owners do not have a retirement savings 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 38% of workers report they and/or their spouse 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.

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 the SEP IRA.

The SEP IRA is a low-cost, low-hassle retirement plan designed for solo and small business employers to contribute to both their own retirement savings and that of their employees.

1 Source: Employee Benefit Research Institute and Greenwald & Associates, 2018 Retirement Confidence Survey.
2 Source: SSA.gov. Most recent data available.
3 Source: Mantra, Small Business Owner Survey, June 2017. Most recent data available.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Benefits of having a SEP 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 78% stating their employer's retirement program was an important reason to stay with the company.[1]

3 **Flexibility** – All contributions to a SEP IRA are discretionary.

At a glance	
Who makes contributions	Employer
Who makes investment decisions	Employee
Maximum contribution limit	The lesser of 25% of participant's compensation or $56,000 for 2019[2]
Minimum contribution limit	None; all contributions are at employer's discretion
Deadline to establish	Employer's tax-filing deadline, including extensions
Vesting	Immediate
Who is eligible	All employees who are 21 or older, earn at least $600/year and have worked for you in at least three of the past five years
Tax-filing requirements	No annual IRS filings required
Fees	Invesco assesses an annual maintenance fee of $15 per account, automatically deducted from each employee's account[3]
Tax treatment of contributions	Employer contributions are generally tax-deductible as a business expense

1 Source: Willis Towers Watson 2017/2018 Global Benefit Attitudes Survey – U.S.
2 Limit for tax year 2019. Indexed for inflation. Limit for 2018 is $55,000.
3 Waived for accounts with a balance of $50,000 or greater.
This information is not intended as tax advice. Investors should consult their tax advisors for detailed information. Invesco representatives are not tax advisors.

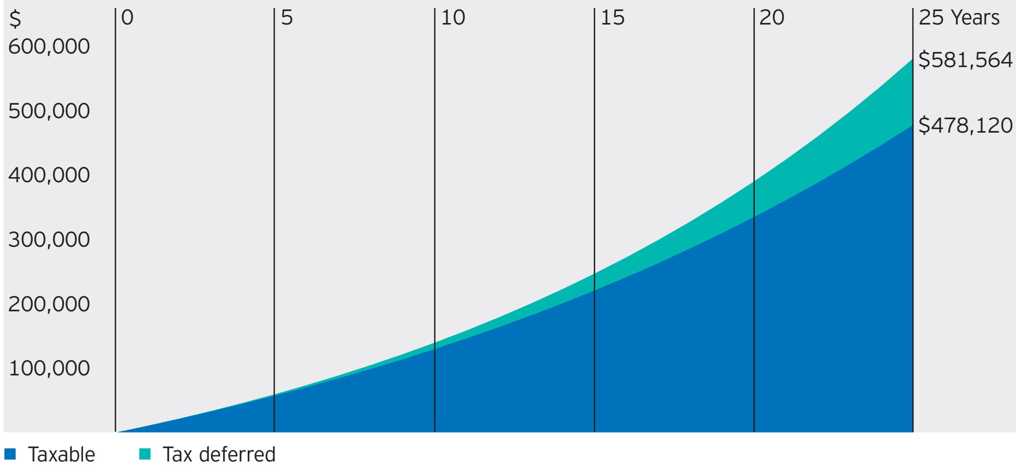
Take advantage of tax-deferred growth

Investing in a tax-deferred account could potentially mean **$103,444** more saved for retirement than if you invest in a taxable account.

You and your employees can potentially accumulate assets much faster in a SEP plan than in a taxable savings account. Contributions plus earnings — 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 power of tax-deferred compounding

Growth of $10,000 invested annually at 6% for 25 years, tax-deferred vs. taxable at 22%



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 22% 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 Simplified Employee Pension (SEP) plan?
A SEP plan is a retirement plan for small businesses and the self-employed that enables employers to make discretionary contributions for themselves and their employees. Contributions generally are not taxable to plan participants until withdrawn and may be tax deductible for the employer.

Who can set up a SEP plan?
SEP plans are available to sole proprietors, partnerships, corporations and nonprofit groups.

Who are eligible employees?
Eligible employees[1] may be restricted to those who are 21 or older, have worked for their current employer during at least three of the preceding five years and have earned a minimum amount in the previous year, which is $600 for 2018 and 2019.[2]

Are there any fees for an Invesco SEP Plan?
Yes. The annual custodial fee is currently $15 per employee and is automatically deducted from each employee's account. The annual fee is waived for accounts with a balance of $50,000 or greater on the day the fee is assessed.

Must an employer contribute annually to a SEP plan?
No. Contributions are discretionary. But if a contribution is made, it must be based on the same percentage of compensation for all eligible employees[1] and cannot favor highly compensated employees (generally those who owned more than 5% of the company at any time during the current or previous year or an employee who earns in excess of $125,000 for 2019[2]) unless the SEP plan is integrated with Social Security.

How much can employers contribute to a SEP plan?
The annual contribution limit is the lesser of 25% of compensation or $56,000 for 2019 ($55,000 for 2018).[2] Based on federal requirements, only the first $280,000 for 2019 ($275,000 for 2018)[2] may be used when computing SEP contributions.

When must the employer make contributions in order to take a deduction for a given year?
Even in the first year of the plan, SEPs can be established and contributions made as late as the due date of the employer's tax return, including extensions.

Can employers take Social Security into account when making contributions?
Yes, if the employer does not maintain any other plan already integrated with Social Security. Integration can result in higher contributions for some employees.[3] There are no Social Security taxes paid on employer contributions.

Can contributions be made for participants older than 70½?
Yes, but the participant must also receive a distribution that satisfies the 70½ required minimum distribution rules for IRAs.

How are withdrawals taxed?
Withdrawals are subject to ordinary federal income tax. Distributions must begin when the participant reaches 70½. No income tax averaging (five or 10 year) is permitted on IRA distributions. Distributions due to divorce should be discussed with the IRA owner's legal counsel. Distributions taken before the participant reaches 59½ are subject to a 10% premature withdrawal penalty, unless an exception applies. See IRS Publication 590-B for a complete list of exceptions.

1 Nonresident aliens and collective bargaining employees may be excluded. Employers may designate less restrictive requirements based on age or service at their discretion.
2 Indexed for inflation
3 Employers should consult their financial or tax advisor for information about how integrating SEP contributions affects their specific tax situation.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

The information contained here is not tax advice. Please consult your tax advisor about your particular situation. Invesco representatives are not tax advisors. All data provided by Invesco unless otherwise noted.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.