Small business plans

Business owner guide

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Why consider a retirement plan?

As the cost-conscious owner of a small business, you may think a retirement plan is a luxury. Actually, it's a benefit for you and your employees you can't afford to pass up.

Funded in whole or in part by tax-deductible contributions, a small business retirement plan can help to:

1 **Reduce your business taxes.**

2 **Build vital personal retirement savings.**

3 **Provide an attractive benefit to recruit, reward and retain valuable employees.**

Because businesses come in a variety of sizes and configurations, so do retirement plans. There are retirement plans for businesses of all sizes, including several low-cost, convenient plans for partnerships, corporations, businesses with 100 or fewer employees and sole proprietorships. Plans include:

- SEP
- SIMPLE IRA
- Solo 401(k)
- Age weighted
- New comparability
- Safe harbor 401(k)
- New comparability with a safe harbor 401(k)
- Profit sharing

The Invesco team is ready to work with you and your financial advisor to evaluate your company's retirement plan needs. We'll consider key factors such as cost, plan features, recordkeeping services, tax implications and investment choices. We'll help you choose a plan that's the best fit for you and your employees.

Please keep in mind that any withdrawals made prior to 59½ may be subject to tax penalties — and that investment return and principal value of a mutual fund investment will vary, so you may have a gain or a loss when you sell shares.

For more information regarding any of the plans featured, contact your financial advisor.

SEP Plan

The Simplified Employee Pension (SEP) plan is a low-cost retirement plan designed for small businesses and the self-employed. This plan enables you to make discretionary tax-deductible contributions for yourself and your eligible employees — with minimal administration.

Establishing a SEP requires setting up an IRA for each eligible employee. You make contributions directly to your employees' IRAs, and you have the flexibility to control the frequency and amount.

Plan features	
Higher contribution limits	You decide the percentage you wish to contribute each year: up to 25% of compensation or $56,000, whichever is less for 2019.[1]
Cost flexibility	There are no requirements for the frequency or amount of contributions, and you are obligated to contribute only for eligible employees.
Social Security integration	Additional contributions are permitted for employers or employees who earn more than the taxable wage base. For 2019 the taxable wage base is $132,900.
Minimal administration	You are not required to file IRS Form 5500 if the plan document is distributed to employees.
Extended establishment date	A SEP can be set up for a year as late as the due date (including extensions) of the business's income tax return for that year.
Vesting	Employees are 100% vested immediately.
Employee benefit	Reward your eligible employees.[2] You may restrict contributions to employees who are 21 or older, have worked for you during at least three of the preceding five years and earned at least $600 during the year.[3]

1 Maximum considered compensation is $280,000 for 2019, indexed for inflation.
2 Nonresident aliens and employees subject to collective bargaining agreements may be excluded. You may designate less restrictive requirements based on age or service at your discretion.
3 Minimum compensation for 2019, indexed for inflation.

Depending on your compensation, you could potentially save up to **$56,000** towards your own retirement using a SEP IRA.

Substantial tax savings

The hypothetical example on this page shows how a SEP plan could help you save $56,000 and contribute to your employees' retirement accounts at a net annual cost of $2,460.

Tax benefits of a SEP Plan

Owner/Employee	Compensation	Employer 25% SEP contribution
Owner	$280,000.00	$56,000.00
Employee A	25,000.00	6,250.00
Employee B	20,000.00	5,000.00
Employee C	15,000.00	3,750.00
Employee D	12,000.00	3,000.00
Total employer contribution		$74,000.00
Less corporate tax savings on total contribution at 21%[1]		(15,540.00)
Cost to company		58,460.00
Owner's benefit — SEP contribution		56,000.00
Less cost to company		(58,460.00)
Owner's savings (or cost)		($2,460.00)

For illustrative purposes only.

1 Tax rate is only applicable to C Corps. Partnerships and S Corps are taxed at the individual rate with no corporate tax.

Withdrawals made prior to 59½ may be subject to tax penalties. 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 accounts shown. Tax rates and brackets are subject to change. This illustration is based on tax laws and regulations in effect for 2019 and assumes no adjustments for inflation or salary increases. This illustration also assumes that if the total contribution had not been made, it would have been taxed as additional income. This information is not intended as tax advice. Investors should consult a tax advisor and consider their current and anticipated investment horizon and income tax bracket when making an investment decision, since the illustration above may not reflect these factors.

SIMPLE IRA

The Savings Incentive Match Plan for Employees (SIMPLE) IRA may be the ideal choice for small business owners seeking a plan similar to a 401(k). Employers are required to contribute to the plan, but the contribution flexibility makes it appealing to many small business owners. Employers with 100 or fewer employees — who at any time in the preceding tax year received at least $5,000 in pay from the employer — may sponsor a SIMPLE IRA. The employer may not maintain any other retirement plans.

Plan features	
Two contribution choices for employers	Under a SIMPLE IRA, you must make contributions in one of two ways:
	– **3% matching contribution.** Dollar for dollar, you match each participating employee's contribution up to 3% of the employee's compensation. In two years of any five-year period, you can elect to reduce the dollar-for-dollar match to as low as 1% of compensation. – **2% nonelective contribution.** You contribute 2% of each eligible employee's compensation (up to a maximum of $5,600 per employee in 2019), whether or not an employee elects to make deferrals.
Administrative simplicity	A SIMPLE IRA is relatively easy to set up and operate. Unlike a 401(k), there are no required Form 5500 filings or discrimination tests (designed to limit contributions made on behalf of higher-paid employees). You will be required to transmit deferral information with each payroll.
Vesting	Employees are 100% vested immediately.
Employee benefit	Reward your eligible employees.[1] Employees who have earned a minimum of $5,000 from you during any two preceding years and are expected to earn at least $5,000 in the current year must be eligible. At your discretion, you may include others.

Higher contribution limits of the SIMPLE IRA vs. Traditional IRA

Year	**Traditional IRA limit**	**SIMPLE IRA limit deferral**
2019 (under 50)	$6,000	$13,000
2019 (50 and older)	7,000	16,000

1 Nonresident aliens and employees subject to collective bargaining agreements may be excluded. You may designate less restrictive requirements at your discretion.

A SIMPLE IRA is true to its name when it comes to plan operation. Contributions under the plan (employees and yours) are simply deposited in an IRA.

Tax advantages

The hypothetical example below shows how a SIMPLE IRA could help you save $25,000 a year and contribute to your employees' retirement accounts at a net annual savings of $3,291.

In this hypothetical example, calculated at 6% annual earnings over 25 years, your yearly tax-deductible $25,000 SIMPLE contribution would grow to $1,453,909.57. In the same 25 years, an annual $25,000 contribution earning 6% in a taxable account would grow to $1,089,856.37. When the difference is added to your annual savings as the employer, your total savings over 25 years would be $446,328.70.[1]

Tax benefits of a SIMPLE IRA — 3% match

Owner/Employee	Compensation	Deferral	Match	Total
Owner	$400,000.00	$13,000.00	$12,000.00	$25,000.00
Employee A	45,000.00	1,800.00	1,350.00	3,150.00
Employee B	35,000.00	1,400.00	1,050.00	2,450.00
Employee C	25,000.00	1,250.00	750.00	2,000.00
Employee D	20,000.00	850.00	600.00	1,450.00
Employee E	18,000.00	700.00	540.00	1,240.00
Employee F	18,000.00	0.00	0.00	0.00
Total employer contribution			$16,290.00	
Less corporate tax savings on total contribution at 21%			(3,420.90)	
Cost to company			12,869.10	
Owner's tax savings on deferral at 32%			4,160.00	
Owner's match			12,000.00	
Owner's benefit — tax savings and match			16,160.00	
Less cost to company			(12,869.10)	
Owner's savings			$3,290.90	

For illustrative purposes only.

1 Example assumes the difference between the tax-deferred SIMPLE IRA and a nontax-deferred account, taxed at a rate of 32%, adding back the net benefit to the company (1,453,909.57 - 1,089,856.37 + 82,272.50 = $446,328.70). Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown.

The hypothetical illustration and estimate of a 6% average annual total return are for illustrative purposes only and are not intended to represent the performance of any 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. Investments returns fluctuate over time and losses can occur. Withdrawals made prior to 59½ may be subject to tax penalties. 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 accounts shown. Tax rates and brackets are subject to change. This illustration is based on tax laws and regulations in effect for 2019 and assumes no adjustments for inflation or salary increases. This illustration also assumes that if the total contribution had not been made, it would have been taxed as additional income. This information is not intended as tax advice. Investors should consult a tax advisor and consider their current and anticipated investment horizon and income tax bracket when making an investment decision, since the illustration above may not reflect these factors.

Age-weighted profit sharing plan

Age-weighted plans generally benefit companies that maintain consistent profits and have a disparity in ages and salaries between "rank-and-file" and "key" employees (including owners). The employer's discretionary contributions are allocated among employees based on relative age and compensation. This results in older, more highly compensated employees receiving a greater portion of the contribution. As with all profit sharing plans, all contributions to an age-weighted plan are made by the employer.

Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administrative services are required.

Plan features	
Higher contribution limits	You decide the amount you wish to contribute each year, up to the lesser of 25% of total eligible compensation or $56,000 for 2019.[1]
Cost flexibility	You may vary the amount you contribute annually.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.
Optional 401(k) feature	You may amend your plan to allow employees to defer a portion of their pretax pay – up to $19,000 ($25,000 if 50 or older) in 2019.[2]
Employee benefit	Your discretionary contributions are allocated among employees based on relative age and compensation. Employees who are 21 or older and have completed one year of service are eligible.

1 Maximum considered compensation is $280,000 for 2019, indexed for inflation.
2 Indexed for inflation

Tax benefits
With an age-weighted plan, you can contribute generously to your own retirement savings while taking advantage of tax-deductible administration fees and contributions for your employees, as illustrated below.

Keep in mind, however, that the allocation formula used in the age-weighted calculation may not be beneficial for every company — especially one whose owner is younger than other employees, as illustrated in Plan B below. In this case, another plan may be more appropriate.

Age-weighted profit sharing plan illustration — Plan A

Owner/Employee	Age	Compensation	Contribution	% of income	% of budget
Owner	**60**	$280,000.00	$56,000.00	20.00	73.29
Employee A	54	120,000.00	15,551.03	12.96	20.35
Employee B	42	50,000.00	2720.44	5.44	3.56
Employee C	33	35,000.00	993.32	2.84	1.30
Employee D	30	35,000.00	799.53	2.28	1.04
Employee E	26	20,000.00	342.10	1.71	0.44
Total employer contributions			$76,406.41		
Tax deductible administration fees[1]			1,680.00		
Less 32% tax savings on employer contributions and fees			(24,987.65)		
Cost to company			53,098.76		
Owner's allocation			56,000.00		
of employer contributions			73.29%		

Age-weighted profit sharing plan illustration — Plan B

Owner/Employee	Age	Compensation	Contribution	% of income	% of budget
Owner	**25**	$280,000.00	$16,044.57	6.78%	17.92
Employee A	54	120,000.00	56,000.00	44.17	62.55
Employee B	42	50,000.00	9,796.42	27.68	10.94
Employee C	33	35,000.00	3,576.98	13.28	4.00
Employee D	30	35,000.00	2,879.16	10.40	3.22
Employee E	26	20,000.00	1,231.9	7.50	1.38
Total employer contributions			$89,529.03		
Tax deductible administration fees[1]			1,680.00		
Less 32% tax savings on employer contributions and fees			(29,186.89)		
Cost to company			62,022.14		
Owner's allocation			16,044.57		
of employer contributions			17.92%		

For illustrative purposes only.

1 Administrative fees vary from firm to firm. Please contact your plan administrator for more information.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2019 and is not intended as tax advice. Tax rates and brackets are subject to change. Investors should consult a tax advisor. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown.

New comparability profit sharing plan

A new comparability plan is a profit sharing plan with an allocation formula that divides employees into two or more groups and allows for different levels of contributions to each group. The preferred group — which generally includes owners, their family members and other key employees — receives the bulk of the contribution. The contribution is allocated within each group according to relative age and compensation.

Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administrative services are required.

Plan features	
Higher contribution limits	You decide the amount you wish to contribute each year, up to the lesser of 25% of total eligible compensation or $56,000 for 2019.[1]
Cost flexibility	You may vary the amount you contribute annually.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.
Optional 401(k) feature	You may amend your plan to allow employees to defer a portion of their pretax pay – up to $19,000 ($25,000 if 50 or older) in 2019.[2]
Employee benefit	Your discretionary contributions are allocated among preferred and nonpreferred employee groups. Employees who are 21 or older and have completed one year of service are eligible.

1 Maximum considered compensation is $280,000 in 2019, indexed for inflation.
2 Indexed for inflation

Maximized benefits
As illustrated below, if a small business owner would like to maximize the profit sharing contribution to the business owners or key employees while minimizing the contributions for other employees, they may be interested in establishing a New Comparability Plan.

To determine which plan may be right for your company, talk to your financial advisor.

New comparability profit sharing plan illustration

Owner/Employee	Age	Compensation	Contribution	% of income	% of budget
Owner	60	$280,000.00	$56,000.00	20.00	64.37
Employee A	54	120,000.00	24,000.00	20.00	27.59
Employee B	42	50,000.00	2,500.00	5.00	2.87
Employee C	33	35,000.00	1,750.00	5.00	2.01
Employee D	30	35,000.00	1,750.00	5.00	2.01
Employee E	26	20,000.00	1,000.00	5.00	1.15
Total employer contributions			$87,000.00		
Tax deductible administration fees[1]			1,680.00		
Less 32% tax savings on employer contributions and fees			(28,377.60)		
Cost to company			60,302.40		
Owner’s allocation of employer contributions			56,000.00 64.37%		

For illustrative purposes only.

1 Administrative fees vary from firm to firm. Please contact your plan administrator for more information.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2019 and is not intended as tax advice. Tax rates and brackets are subject to change. Investors should consult a tax advisor. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown.

Safe Harbor 401(k)

Safe harbor 401(k)s allow business owners to sponsor 401(k) plans without passing nondiscrimination tests.[1] Though originally designed to encourage participation among rank-and-file employees, these tests often reduced — or eliminated — a small business owner's ability to contribute on his own behalf. By including a mandatory employer contribution, the safe harbor 401(k) allows small business owners to sponsor a plan in which all eligible employees may participate — including themselves.

Plan features	
Maximized deferrals for the business owner	Because the plan is not subject to 401(k) discrimination testing, you may make traditional or designated Roth[2] salary deferral contributions up to $19,000 ($25,000 if 50 or older) in 2019.[3]
Employer contributions	You may choose from the following fully vested employer contribution options: – **Match.** The basic formula provides a dollar-for-dollar match of employee contributions up to 3% of compensation and 50 cents on the dollar for the next 2% of compensation.[4] – **Nonelective.** A contribution of at least 3% of compensation for all eligible employees is required whether or not they elect to make deferrals.[5]
Loans	Loans are available.
Employee benefit	Employees who are 21 or older and have completed one year of service are eligible.

A closer look
With a safe harbor 401(k), employers can bypass the following nondiscrimination tests:

- **Actual deferral percentage (ADP).** Limits the extent to which deferrals from highly compensated employees (HCEs) may exceed those of rank-and-file — or nonhighly compensated — employees (NHCEs). Failing this test may result in taxable refunds to highly paid employees.
- **Actual contribution percentage (ACP).** Limits the extent to which employee after-tax contributions and employer matching contributions of HCEs may exceed those of NHCEs. Failing this test may result in the employer being required to make additional contributions on behalf of the NHCEs.
- **Top heavy.** Determines if more than 60% of the plan's assets belong to key employees — and, if so, requires the owner to make a 3% contribution to each eligible rank-and-file employee.

1 Employers adopting a safe harbor 401(k) plan must provide a 30-day notice to employees before the beginning of the plan year. Employer contributions are required and must be 100% vested immediately.
2 Designated Roth contributions allow investors to make after-tax salary deferral contributions that they can eventually withdraw tax free if certain conditions are met.
3 Indexed for inflation
4 Any other formula used must meet the IRS requirements for safe harbor contributions.
5 Maximum considered compensation is $280,000 for 2019, indexed for inflation.

Increased retirement savings for small business owners

Without a safe harbor 401(k), the owner's maximum contribution is limited by nondiscrimination testing.

By adopting a safe harbor 401(k), the owner can maximize his contributions.

Comparison with and without a Safe Harbor 401(k)

Business demographics			Without Safe Harbor 401(k)		With Safe Harbor 401(k)			
Owner/ Employee	**Age**	**Compensation**	**Deferral**	**Deferral**	**Deferral**	**Deferral**	**Safe Harbor match**	**Total**
Owner	60	$280,000.00	$19,300.00[1]	4.75	$25,000.00[1]	6.78	$11,200.00	$36,200.00
Employee A	54	120,000.00	11,700.00[1]	4.75	25,000.00[1]	15.83	4,800.00	29,800.00
Employee B	42	50,000.00	2,500.00	5.00	2,500.00	5.00	2,000.00	4,500.00
Employee C	33	35,000.00	1,050.00	3.00	1,050.00	3.00	1,050.00	2,100.00
Employee D	30	35,000.00	1,050.00	3.00	1,050.00	3.00	1,050.00	2,100.00
Employee E	26	20,000.00	0.00	0.00	0.00	0.00	0.00	0.00

For illustrative purposes only.

1 Deferral amounts include $6,000.00 catch up contribution since both are over 50 years of age.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2019 and is not intended as tax advice. Investors should consult a tax advisor.

New comparability profit sharing plan with a Safe Harbor 401(k)

Adding a new comparability profit sharing feature to a safe harbor 401(k) allows employees to contribute to their own retirement savings while benefiting from the employer's profit sharing contribution.[1] The business owner makes a 3% nonelective contribution to all eligible employees, which satisfies both the safe harbor requirement and the new comparability allocation for the nonpreferred group.

Plan features	
Maximized deferrals for the business owner	You may make traditional or designated Roth salary deferral contributions — up to $19,000 ($25,000 if 50 or older) in 2019 — because the plan is not subject to 401(k) discrimination testing.
New comparability allocation formula	This formula separates employees into two groups — preferred and nonpreferred. The preferred group, which includes the owner, receives the bulk of the profit sharing contribution.
Loans	Loans are available.
Employee benefit	Employees who are 21 or older and have completed one year of service are eligible.

1 Employers adopting new comparability profit sharing plans with safe harbor 401(k)s must provide a 30-day notice to employees before the beginning of the plan year. Employer safe harbor contributions are required and must be 100% vested immediately.

Maximizing your deferral

Consistently profitable companies with disparity in ages and salaries between groups of employees, such as owners and rank-and-file employees, may benefit from a new comparability profit sharing plan with a safe harbor 401(k). As illustrated below, business owners may be able to maximize their salary deferral — and receive a profit sharing contribution — without making large contributions to employees.

New comparability profit sharing with a Safe Harbor 401(k) Versus Safe Harbor 401(k) alone

Business demographics			New comparability with Safe Harbor 401(k)				Safe Harbor 401(k)		
Owner/ Employee	**Age**	**Compensation**	**Deferral**	**New comp.**	**Safe Harbor 3%**	**Total**	**Deferral**	**Safe Harbor 3%**	**Total**
Owner	60	$280,000.00	$25,000.00[1]	$28,600.00	$8,400.00	$62,000.00	$25,000.00[1]	$8,400.00	$33,400.00
Employee A	54	120,000.00	25,000.00[1]	2,400.00	3,600.00	31,000.00	25,000.00[1]	3,600.00	28,600.00
Employee B	42	50,000.00	2,500.00	0.00	1,500.00	4,000.00	2,500.00	1,500.00	4,000.00
Employee C	33	35,000.00	1,050.00	0.00	1,050.00	2,100.00	1,050.00	1,050.00	2,100.00
Employee D	30	35,000.00	1,050.00	0.00	1,050.00	2,100.00	1,050.00	1,050.00	2,100.00
Employee E	26	20,000.00	0.00	0.00	600.00	600.00	0.00	600.00	600.00
Total employer contributions[2]					$47,200.00			$16,200.00	
Tax deductible administration fees					1,680.00[3]			1,200.00	
Less tax savings on employer contributions and fees at 32%					(15,641.60)			(5,568.00)	
Cost to company					$33,238.40			$11,832.00	
Owner's personal tax savings on deferral at 32%					8,000.00			8,000.00	
Owner's allocation					37,000.00			8,400.00	
of employer contributions					78.39%			51.85%	
Owner's benefit					$45,000.00			$16,400.00	
Less cost to company					(33,238.40)			(11,832.00)	
Owner's savings (cost)					$11,761.60			$4,568.00	

For illustrative purposes only.

1 Deferral amounts include $6,000.00 catch up contribution since both are over 50 years of age.
2 Total annual employer plan contributions are limited to 25% of compensation.
3 Administrative fees vary from firm to firm. Please contact your plan administrator for more information.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2019 and is not intended as tax advice. This example assumes that the owner is in the 32% tax bracket. Tax rates and brackets are subject to change. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown. Investors should consult a tax advisor.

Solo 401(k)

A solo 401(k) is an innovative profit sharing plan with a 401(k) feature designed for sole proprietorships and corporations with no employees other than the owner(s) and their spouse(s). The plan does not require discrimination or top-heavy testing.

Plan features	
Generous contribution limits	You may be able to contribute to the plan each year in a combination of deferrals and profit sharing contributions. - In 2019, the salary deferral limit is $19,000, or $25,000 if 50 or older.[1] - The profit sharing contribution cannot exceed 25% of your compensation.[2] - Combined salary deferrals and profit sharing contributions cannot exceed the lesser of 100% of compensation or $56,000 in 2019.[1]
Flexibility	Contributions — both salary deferrals and profit sharing — are discretionary.
Tax benefits	Profit sharing contributions and traditional salary deferrals are tax deductible, and earnings accumulate on a tax-deferred basis. Keep in mind, however, that any withdrawals made prior to 59½ may be subject to tax penalties.
Designated Roth contributions	Many plan documents now allow solo 401(k) plan owners to invest their salary deferral contributions as an after-tax Roth contribution. This feature offers tax-free earnings growth for all investors — and tax-free distributions for those 59½ or older or who meet the specified criteria. Check your plan to see if this option is available.
Vesting	You are 100% vested immediately.
Loans	Loans are available.
Low fees	Costs for a solo 401(k) may be less than a 401(k) for businesses with employees due to reduced administrative requirements.

1 Indexed for inflation
2 Maximum considered compensation is $280,000 in 2019, indexed for inflation.

Other profit sharing plans

A flexible way to reward employees

Profit sharing plans have some features that are similar to SEP plans. They allow you to make discretionary annual contributions up to the lesser of 25% of compensation or $56,000 in 2019.[1]

Plan features	
Flexible contribution limits	The amount of the profit sharing contribution can change annually, and you do not have to make a contribution each year.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.

Two profit sharing plan choices for business owners

You can choose to make contributions in one of two ways:

- **Standard formula.** The contribution is allocated based on each employee's relative compensation.
- **Integrated formula.** The contribution is allocated based on the Social Security taxable wage base.[2] Employees earning more than this receive a greater portion of the contribution to compensate for the smaller percentage of Social Security benefits they accrue.

1 Indexed for inflation
2 Social Security taxable wage base is $132,900 in 2019.

Finding the right plan

Although the three plans have different outcomes, the bottom line may not be your only consideration.

Finding the plan that best fits your company's needs is an important decision. The side-by-side comparison in the table below may be beneficial to you in this process.

- The SEP example is the most expensive, but it provides the most benefit to employees. This plan may be right for you if your goal is to reward and retain employees at the highest level.
- The age-weighted plan gives the older employees the largest contribution. This may meet your needs if your goal is to reward key or long-term employees.
- Finally, the new comparability example below allows the owner to receive a $56,000 contribution while still costing less than the SEP.

Comparing a SEP, an age-weighted and a new comparability plan

Owner/Employee	Age	Compensation	SEP	Age-weighted	New comp.
Owner	60	$280,000.00	$56,000.00	$56,000.00	$56,000.00
Employee A	54	120,000.00	30,000.00	15,551.03	24,000.00
Employee B	42	50,000.00	12,500.00	2720.44	2,500.00
Employee C	33	35,000.00	8,750.00	993.32	1,750.00
Employee D	30	35,000.00	8,750.00	799.53	1,750.00
Employee E	26	20,000.00	5,000.00	342.10	1,000.00
Total employer contributions			$121,000.00	$76,406.41	$87,000.00
Tax deductible administration fees[1]			0.00	1,680.00	1,680.00
Less tax savings on employer contributions and fees at 32%			(38,720.00)	(24,987.65)	(28,377.60)
Cost to company			82,280.00	53,098.76	60,302.40
Owner's allocation			56,000.00	56,000.00	56,000.00
of employer contributions			46.28%	73.92%	64.37%
Less cost to company			(82,280.00)	(53,098.76)	(60,302.40)
Owner's savings (or cost)			($26,280.00)	$2,901.24	($4,302.40)

For illustrative purposes only.

The decision may not be an easy one, but the right tools can help make it an informed one. Talk to your financial advisor about which plan might be right for your company.

1 Administrative fees vary from firm to firm. Please contact your plan administrator for more information.

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Plans at a glance

	SEP	SIMPLE IRA	Age-weighted	New comp.	Safe Harbor 401(k)	New Comp. + Safe Harbor 401(k)	Solo 401(k)	Profit sharing
Key features								
Cannot maintain any other plans		■						
Minimal paperwork and reporting	■	■						
Full-service recordkeeping recommended			■	■	■	■		■
Loans available			■	■	■	■	■	■
Contributions can vary with cash flow	■		■	■		■	■	
Pretax salary deferral contributions		■			■	■	■	■
Who can establish								
The self-employed,[1] partnerships, S corporations, C corporations and nonprofit groups	■	■	■	■	■	■	■	■
Governmental agencies	■	■	■	■				
Annual employer contributions								
Cannot exceed 25% of the total eligible compensation[2]	■		■	■	■	■	■	■
Required match or non-elective contribution		■			■	■		
Employee pretax deferrals								
2019 (under 50)		$13,000	$19,000[3]	$19,000[3]	$19,000	$19,000	$19,000	
2019 (50 and older)		$16,000	$25,000[3]	$25,000[3]	$25,000	$25,000	$25,000	
Administrative fees								
(Plan costs)			■	■	■	■	■	

Talk to your financial advisor

Your sights are set on a financial goal – a college degree, new home or secure retirement. One of the best ways to help reach your goal is to partner with a strong team: a financial advisor who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial advisor about how an investment plan and Invesco can help you pursue your financial goals.

1 If self-employed, compensation is earned income.
2 Maximum considered compensation is $280,000 in 2019, indexed for inflation. Calculations of maximum total plan contributions and participant limits are complex and require knowledge of IRS regulations.
3 Plan may be amended to allow employee pretax deferrals.

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

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

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.

This brochure is not intended to be legal or tax advice or to offer a comprehensive resource for tax-qualified retirement plans. Always consult your own legal or tax professional for information concerning your individual situation. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments, there are associated inherent risks.

Please obtain and review all financial material carefully before investing.

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