



# Invesco SIMPLE IRA Employee guide



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## How many years will you spend in retirement? And how much savings will you need to live comfortably?

According to the Employee Benefit Research Institute, **45%** of American workers have less than **\$25,000** in total savings and investments.<sup>1</sup>

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 have tried to calculate how much money they need to save to live comfortably in retirement.<sup>1</sup>

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.<sup>2</sup>

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 offered by your employer that allows you to make pretax payroll deduction contributions that, along with contributions from your employer, will be deposited into an investment account in your name.

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### Save for your retirement – and improve your tax situation

The good news is your employer is offering a benefit that could help put you on the path to retirement readiness. It's called a Savings Incentive Match Plan for Employees – SIMPLE IRA.

<sup>1</sup> Source: Employee Benefit Research Institute and Greenwald & Associates, 2018 Retirement Confidence Survey.

<sup>2</sup> Source: SSA.gov

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## Benefits of investing in a SIMPLE IRA

- 1 Tax savings** – Your contributions are automatically taken pretax from your salary, and earnings accumulate on a tax-deferred basis. Keep in mind, however, that any withdrawals made prior to age 59½ may be subject to tax penalties.
- 2 Extra money for retirement** – Your employer will also make contributions toward your retirement savings, which will be deposited into your account for you to invest.
- 3 100% immediate vesting** – Both your contributions and your employer's are always 100% vested. And if you change employers, you won't forfeit any of your retirement savings.

At a glance	
<b>Who makes contributions</b>	Employer and employee
<b>Who makes investment decisions</b>	Employee
<b>Maximum contribution limit for salary deferrals</b>	The lesser of 100% of compensation or \$13,000 (\$16,000 if you're age 50 or older) for 2019 <sup>1</sup>
<b>Employer contribution options</b>	<b>Option A:</b> A dollar-for-dollar match up to 3% of each participating employee's compensation <sup>2</sup> <b>Option B:</b> A contribution equal to 2% of each eligible employee's compensation (compensation limited to \$280,000 for 2019), whether or not they elect to make salary deferrals <sup>1</sup>
<b>Vesting</b>	100% immediate
<b>Who is eligible</b>	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 <sup>3</sup>
<b>Fees</b>	Invesco assesses an annual maintenance fee of \$15 per account, automatically deducted from each participating employee's account <sup>4</sup>

1 Indexed for inflation

2 Not to exceed \$13,000 (\$16,000 for employees age 50 and older) for 2019. Indexed for inflation. Employer can reduce match to 1% in no more than two out of every five years.

3 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. Your employer will provide you with a Summary Description that outlines eligibility requirements for your plan.

4 Waived for accounts with a balance of \$50,000 or more

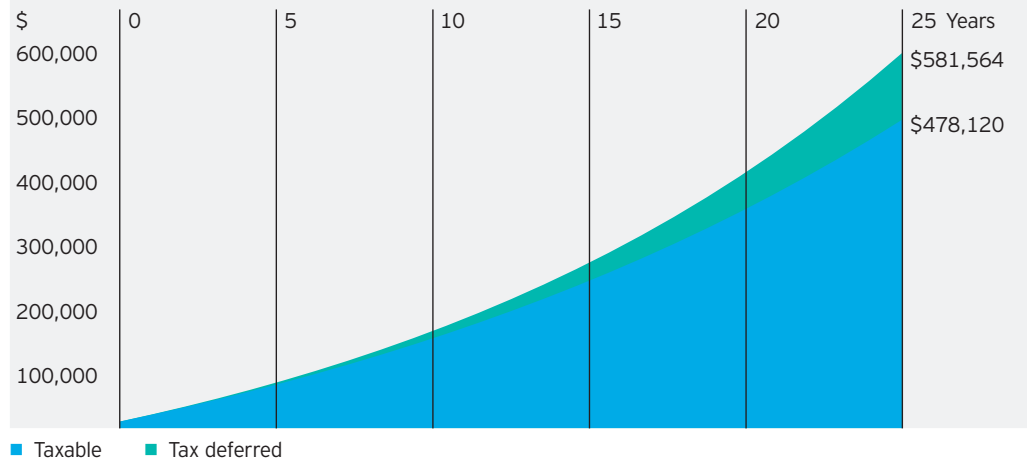
## Take advantage of tax-deferred growth

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 age 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.

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

### Deferring taxes on investment earnings may accelerate savings

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.



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## Frequently asked questions

### **What is a SIMPLE IRA?**

A SIMPLE IRA is a retirement plan offered by your employer that allows you to make pretax salary deferral contributions along with your employer's contributions. All contributions are deposited in your SIMPLE IRA.

### **Who is eligible to participate in a SIMPLE IRA?**

You can participate in a SIMPLE plan if you have earned at least \$5,000 in compensation from your company in any prior two years and expect to earn at least \$5,000 in the current year. 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. Your employer will provide you with a Summary Description that outlines eligibility requirements for your plan.

### **How does a SIMPLE IRA work?**

You choose how much you would like to contribute to the plan. That amount is automatically deducted from your salary, pretax, and deposited into your SIMPLE IRA account.

### **Your employer will choose from two contribution options:**

- A dollar-for-dollar match of your contribution up to 3% of each participating employee's compensation (match not exceeding \$13,000 or \$16,000 for employees 50 and older for 2019).<sup>1</sup>
- A nonelective contribution of 2% of each eligible employee's compensation (compensation limited to \$280,000 for 2019<sup>1</sup>), whether or not an employee elects to participate in the plan.

### **How much can I contribute to a SIMPLE IRA?**

You may defer any percentage of compensation up to \$13,000 (\$16,000 if 50 or older) for 2019.<sup>1</sup>

### **Can I stop making salary deferrals?**

Yes, you can stop deferrals at any time by contacting your employer. However, it may not be possible to resume deferrals until the next plan year. Check your plan document for your plan's details.

### **Do I have to make contributions?**

No, it's your decision to make salary deferral contributions. Keep in mind, however, that your employer may choose to make matching contributions only, and, if so, you would not receive any contributions from your employer if you don't contribute.

### **How are salary deferral contributions treated for tax purposes?**

The amount you contribute is excluded from your income and isn't included as federal taxable wages on your Form W-2. Your contributions are subject to Social Security (FICA) and federal unemployment (FUTA) taxes and must be reported on Form W-2.

### **Can I make contributions if I'm 70½ or older?**

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

### **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 your account.<sup>2</sup>

### **If I retire or change jobs, can I move my account someplace else?**

Yes. You can request a distribution, roll over the funds to an IRA or other eligible retirement plan or leave the existing SIMPLE IRA in place. Transfers and rollovers may be made only to another SIMPLE IRA if performed within the first two years of the initial contribution to your SIMPLE IRA. Thereafter, transfers and rollovers may be made to any eligible plan.

<sup>1</sup> Indexed for inflation

<sup>2</sup> The annual fee is waived for accounts with a balance of \$50,000 or more.



***Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).***

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.

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.

All data provided by Invesco unless otherwise noted.