



Invesco SEP Plan Employee guide



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

32% of Americans over age 55 have less than \$10,000 saved for retirement.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 ever 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.

The Invesco SEP IRA is a retirement plan designed for small businesses that allows your employer to make contributions on your behalf to an individual retirement account (IRA), where they grow tax-deferred until you withdraw them. Please keep in mind that withdrawals made prior to 59½ will be taxed as ordinary income and may be subject to additional tax penalties.

Save for your retirement with money from your employer

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 Simplified Employee Pension Plan – a SEP IRA.

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

² Source: SSA.gov. Most recent data available.

³ Source: GOBankingRates, annual retirement savings survey, Feb. 2018. Most recent data available.

Benefits of a SEP IRA

- 1 Your employer invests in your retirement** – Your employer will make contributions toward your retirement savings, and earnings accumulate in your IRA on a tax-deferred basis.¹ Contributions may or may not be made annually, at your employer's discretion. Keep in mind, however, that distributions are taxed at ordinary income tax rates, and any withdrawals made prior to 59½ are subject to a 10% premature withdrawal penalty, unless an exception applies. See IRS Publication 590-B for a complete list of exceptions.
- 2 Investment control** – Your employer's contributions will be deposited into your account. You decide how the contributions are invested, using Invesco funds to create your own portfolio based on your personal objectives.
- 3 100% immediate vesting** – Your contributions are always 100% vested. And if you change employers, you won't forfeit any of your retirement savings.

At a glance	
Who makes contributions	Employer
Who makes investment decisions	Employee
Maximum contribution limit	The lesser of 25% of employee's compensation or \$56,000 for 2019 ²
Vesting	100% immediate
Who is eligible	All employees who are 21 or older ³ , earn at least \$600/year and have worked for the employer in at least three of the past five years ⁴
Fees	\$15 per account, automatically deducted from each employee's account ⁵

1 Investment losses could affect the relative tax-deferred investment advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision.

2 Limit for tax year 2019; indexed for inflation. The limit for 2018 is \$55,000.

3 Although the IRS allows employers to designate less restrictive requirements based on age, minors may not open an Invesco IRA.

4 Nonresident aliens and collective bargaining employees may be excluded. Employers may designate less restrictive requirements based on age or service at their discretion.

5 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.

Why your savings needs to outpace inflation

If inflation continues to average around 3% annually, the price of a movie ticket could be **\$20.46** by 2045.

Your retirement savings needs to outpace inflation to maintain your purchasing power and income. The inflation rate measures price increases of goods and services and the resulting decrease in purchasing power over time – remember the \$5 movie ticket? Although recent inflation rates have been relatively low, the unpredictability of inflation rates makes retirement planning more challenging.

How inflation affects your purchasing power



Year	Movie ticket (\$)	Gallon of milk (\$)	Loaf of bread (\$)
1945	0.35 ²	0.62 ¹	0.09 ¹
2017	8.97 ²	3.15 ³	1.32 ³
2045*	20.46 ⁴	8.03 ⁴	3.47 ⁴

* Projected

Inflation also affects your income. During retirement, you'll want to replace the income you're earning when you retire, not the income you're earning now. Inflation could have a dramatic effect on income between now and retirement. With an inflation rate of just 3% a year, a retiree earning \$50,000 today may need to more than double his current income to \$121,363 to maintain his present standard of living in 30 years.

1 Source: US Census Bureau, "Retail Prices of Selected Foods in U.S. Cities (BLS): 1890 to 1970."

2 Source: National Association of Theater Owners, natoonline.org.

3 Source: Bureau of Labor Statistics, price for December 2017. Most recent data available.

4 2045 prices based on inflation rate of 3% annual inflation rate. Inflation, as measured by the Consumer Price Index, has averaged 3.22% since 1913.

Frequently asked questions

What is a SEP IRA?

The Invesco SEP IRA is a retirement plan designed for small businesses that allows employer contributions to grow tax deferred in an individual retirement account. Because all of your earnings compound tax deferred until you withdraw them, your assets may grow faster than if they were in a taxable savings account.¹

How much can be contributed to my SEP IRA?

For 2019, your employer can contribute up to the lesser of 25% of your compensation or \$56,000.²

What are the eligibility requirements for employees?

Eligible employees may be restricted to those who are 21 or older³, worked for their current employer during at least three of the preceding five years and earn at least \$600² during the year for which the contribution is being made.⁴

Do my employer's contributions count as traditional or Roth IRA contributions?

No. However, employer contributions may affect the deductibility of your or your spouse's traditional IRA contributions.

Do I have to make contributions?

No, a SEP IRA is funded solely by your employer's contributions.

Can I receive contributions if I'm older than 70½?

Yes, but you must also satisfy the 70½ required minimum distribution rules for IRAs.

Are there any fees associated with an Invesco SEP IRA?

Yes. The annual maintenance fee is currently \$15 per employee and is automatically deducted from your account. The annual fee is waived for accounts with a balance of \$50,000 or greater on the day the fee is assessed.

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

Yes. Since SEP contributions are made to employees' IRAs, all account transactions are the responsibility of the employee. You can request a distribution, roll over the funds to an IRA or other eligible plan or leave the existing SEP IRA in place.

1 Investment losses could affect the relative tax-deferred investment advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision.

2 Indexed for inflation.

3 Although the IRS allows employers to designate less restrictive requirements based on age, minors may not open an Invesco IRA.

4 Nonresident aliens and collective bargaining employees may be excluded. Employers may designate less restrictive requirements based on age or service at their discretion.



Note: Not all products, materials or services are 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.