

SEP plan



Wealth
Management

How it works

A simplified employee pension (SEP) is a retirement plan you can establish with minimal paperwork. SEPs are funded with employer contributions. Unlike profit-sharing or money purchase pension plans, which require a significant amount of time and effort to administer, a SEP involves hardly any paperwork at all. In fact, it's as easy to open as an individual retirement account (IRA).

Key advantages for the employer

- You can make tax-deductible contributions of up to 25% of eligible payroll.
- The contribution limit for each participant in 2024 is the lesser of 25% of earned income* or \$69,000.
- A SEP plan is easy to administer, with no complicated reporting requirements.
- The amount you contribute is determined each year. You can even decide to make no contribution in a given year.

Key advantages for your employees

- A SEP is an important addition to your employees' benefit package.

- Earnings grow tax deferred.
- All contributions are immediately vested and employees can access this money at any time, subject to the premature distribution penalty rules for IRAs.
- Employees can choose from a wide range of investment options.

SEPs are most appropriate for businesses

- Needing flexibility in determining annual contributions to a retirement plan.
- With limited resources for reporting and recordkeeping of a retirement plan.
- Wanting the easiest type of small business retirement plan to understand and administer.

What you should know about SEPs

Extended deadline

You may establish a SEP and make contributions for a given year up to the tax-filing deadline for your business, including extensions.

Availability of funds

Unlike a qualified plan, a SEP allows for withdrawals before retirement. However, such

withdrawals are subject to the same restrictions and penalties as withdrawals from a regular IRA.

Funded through an IRA

You and each eligible employee establish an IRA. As the employer, you also sign a separate SEP plan agreement and give a copy to each eligible employee.

Tax savings

By establishing a SEP and making contributions into the IRAs of each eligible employee (including yourself), you can substantially reduce the amount of business profits on which you pay income taxes.

How RBC Wealth Management can help you

Your RBC Wealth Management financial advisor can work closely with you to help you determine whether a SEP plan can work for your company. He or she can provide you and your tax advisor with all of the forms and documentation you need to establish a plan.

In addition, your financial advisor can offer you and your employees a full range of investment options to help implement each employee's account.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

*In 2024, no more than \$345,000 of compensation may be taken into account.

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