



# PENN RISE ADVISORS

## Investments and Insurance

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### Benefits of a SIMPLE IRA Plan

#### What is it?

A SIMPLE IRA is an inexpensive retirement plan designed specifically for small businesses. Employee deferrals are deductible as part of salary expenses and company contributions are deductible business expenses. Employee contributions are made on a pre-tax basis and the investments grow tax-deferred until withdrawn. Withdrawals are taxed at the employee's tax rate after age 59 1/2.

#### How does it work?

SIMPLE IRA's allow employers to choose how they want to contribute funds for their employees each year.

While company contributions are mandatory for eligible employees, the company can choose how to make contributions. The company may either contribute a flat 2% of compensation to all eligible employees who have earned at least \$5,000 or 1%, 2% or 3% of compensation to participating employees every year. Employers can adjust the match to as little as 1% of participating employees compensation - but for no more than 2 years in any 5 year period. The flat 2% contribution must be given to eligible employees regardless of whether they made contributions to the plan. Employees can contribute up to \$12,500 per year and an additional \$3,000 per year for participants over age 50.

#### Is it hard to maintain?

Contributions are entered in a spreadsheet format and electronically submitted. Purchases are controlled by the owner and made electronically directly from the company's bank account. Employee deferrals are reported on W-2 forms. There are no testing (ADP, ACP) or F500 reporting requirements. The plan costs about \$25 per employee annually. SIMPLE IRA employee contributions are not subject to federal income tax withholding. However, salary reduction contributions are subject to social security, Medicare and FUTA taxes. Employer matching and non-elective contributions are not subject to these taxes.

#### Sample Plan Summary

Employer	Estimated Salary	6% Salary Deferral	3% Employer Match	Total Contributions	Employer's Tax Savings	Employer's Cost for Employee's Accounts after tax savings
Owner	\$100,000	\$6,000	\$3,000	\$9,000	\$2,780	
Employee 1	\$35,000	\$2,100	\$1,050	\$3,150	\$80	
Employee 2	\$45,000	\$2,700	\$1,350	\$4,050	\$103	
Employee 3	\$30,000	\$1,800	\$900	\$2,700	\$69	
Employee 4	\$47,000	\$2,820	\$1,410	\$4,230	\$108	
Subtotal	\$157,000		\$4,710		\$360	
Total	\$257,000		\$7,710		\$3,140	\$1,570 (\$4,710-\$3,140)

#### TALK TO US TODAY!

To begin your Simple IRA, contact Karl Klingmann at:  
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The above example is a hypothetical illustration of the tax savings and contributions made into a SIMPLE IRA plan. All information herein is believed to be accurate but cannot be guaranteed. Consult your tax advisor for further information. Neither Kovack Securities, Inc. nor Penn Rise Advisors offers tax or legal advice.

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