

SIMPLE IRA

A Simple Way to Save for Retirement



Employee Guide

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Save for Retirement with a SIMPLE IRA

Financial experts estimate that you will need a significant portion of your pre-retirement earnings to live comfortably during retirement. To help you reach your retirement goals, your employer is offering you a Savings Incentive Match Plan for Employees (SIMPLE) IRA.

By Participating in a SIMPLE IRA Plan, You Will Have the Opportunity to:

- Save for retirement with pretax dollars or as a Roth SIMPLE IRA.¹
- Receive employer contributions.
- Possibly reduce your current taxable income.
- Accumulate tax-deferred contributions and earnings.

Features of a SIMPLE IRA

Automatic Payroll Deduction

Salary deferral contributions are automatically deducted from your paycheck and invested directly in your account, making saving for retirement convenient and easy.

Investment Control and Selection

You have the flexibility to choose how much to contribute (up to the annual limit) and how you allocate your money.

Immediate Vesting

All contributions and earnings are vested immediately. This means that all money in your account—yours and your employer's contributions—belongs to you. Even if you leave the company, you may take this money and any earnings with you.

Access to Contributions

In the event of an emergency, you can access your money at any time; however, income taxes, additional federal taxes, and surrender charges may apply.

¹Roth Simple IRAs are not offered by all providers or employers. Check with your provider and employer to determine if a Roth option is available.

Benefits of a SIMPLE IRA

Contributions and Eligibility

In the future, more time will be spent in retirement. That's why it's important to plan ahead so that you can achieve your retirement goals. With your employer's SIMPLE IRA plan, you can get a start on your retirement savings and take advantage of several other plan benefits.

Generally, you are eligible to participate in your employer's SIMPLE IRA plan if you meet the following two criteria:

1. Have earned at least \$5,000 from your employer during any two previous years
2. Are expected to earn at least \$5,000 during the current calendar year

In 2025, you can contribute up to \$16,500 or 100% of your salary, whichever is less. You can make additional catch-up contributions of \$3,500 if you are age 50 or older, or \$5,250 if you are age 60, 61, 62, or 63.

Employer Contributions

In addition to your salary contributions, your employer will help you save for retirement by making contributions to your account. Please check with your employer regarding your employer's plan contribution requirements.



Potential to Reduce Taxable Income

If you make SIMPLE IRA contributions before taxes are withheld, your taxable income is reduced. This means that you will have to pay less taxes annually, which results in more money in your pocket than if after-tax money was contributed. If your plan permits, you also may be able to contribute after-tax money by making Roth SIMPLE IRA contributions. Because you pay taxes before contributing to a Roth SIMPLE IRA, when you take the money out at retirement (after age 59½), all contributions and earnings will be tax-free.

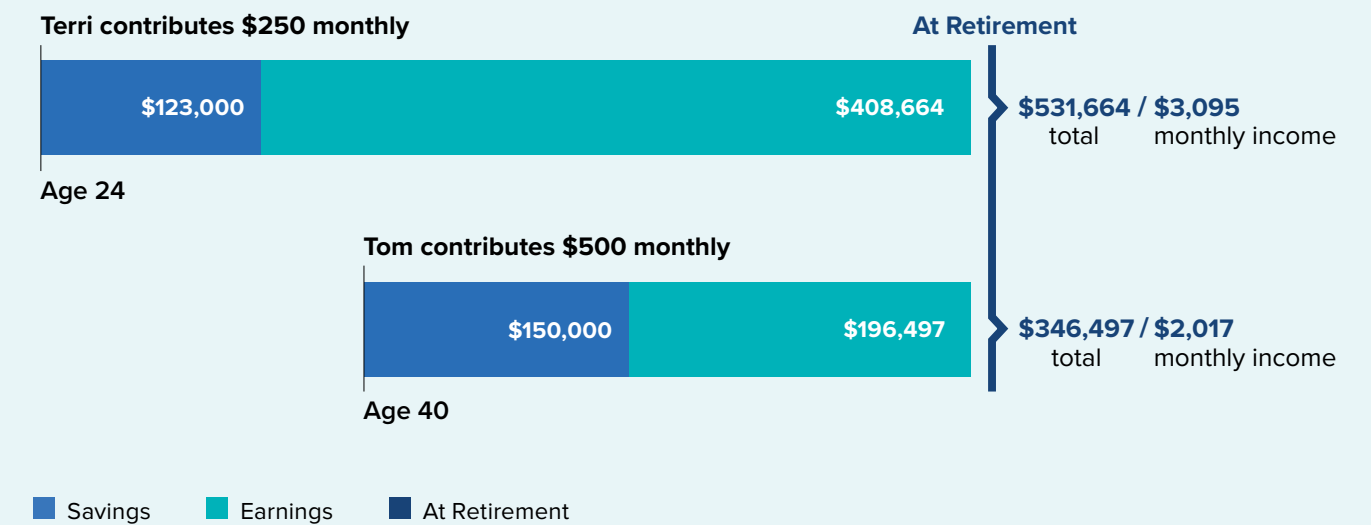
Time Makes All the Difference

A notable feature of a SIMPLE IRA is that contributions and earnings will compound without current income tax. Instead of paying taxes each year, your earnings are reinvested in your SIMPLE IRA. Every dollar has the potential to generate additional earnings that continue to multiply over time.

No matter where you are in life, now is always better than later to start saving for retirement.

For example, let’s assume that Terri makes a monthly contribution of \$250 starting at age 24, while Tom makes a monthly contribution of \$500 starting at age 40. If both compound monthly at an annual return rate of 6%, Terri will have saved more than \$185,000 more than Tom at retirement age. Despite Tom contributing more to the account, Terri will receive an additional \$1,078 per month in retirement.¹

Let Your Money Work for You



¹Ascensus®, "Time makes all the difference." October 2020.
This hypothetical example assumes a retirement age of 65 and that the individual receives the monthly retirement payment shown until age 90, at which point the account is depleted. The amount saved until retirement assumes an annual investment return of 6%. The monthly payment amount in retirement assumes an annual investment return of 5%. Hypothetical returns are not guaranteed and do not represent performance of any particular investment. The final account balance does not reflect any taxes or additional federal income taxes for early withdrawals that may be due upon distribution. Withdrawals from a tax-deferred account before age 59½ are subject to an additional 10% federal income tax unless an exception applies.

Important Considerations

Before you decide to participate in the plan, there are several important considerations that you need to know.

Rollovers/Transfers

SIMPLE IRAs can accept rollovers from IRAs, qualified plans (for example, 401(a), 401(k), and TSA/403(b)), and governmental 457(b) plans after the two-year period is met.

SIMPLE IRAs can accept tax-free rollovers/transfers from other SIMPLE IRAs at any time.

Two-Year Rule

After a two-year period, you can roll a distribution from your SIMPLE IRA to another qualified plan (that is, IRA, 401(a), 401(k), and TSA/403(b)) or governmental 457(b) deferred compensation plan that is willing to accept the rollover.

The two-year period begins on the first day in which contributions made by your employer are deposited in your SIMPLE IRA account.

Required Minimum Distributions (RMDs)

Distributions must begin no later than April 1 of the year following the year you reach age 73.

Withdrawals

Withdrawals taken within the first two years of participation and before age 59½ will result in an additional 25% federal income tax. Withdrawals taken after two years of participation and before age 59½ will result in an additional 10% federal income tax. If you qualify for an exception to the additional taxes for early withdrawals, you may not incur these additional taxes. Some of the more common exceptions include:

- Death
- Disability
- Substantially equal periodic payments
- Certain medical expenses
- First-time home purchase
- Higher-education expenses
- Health-insurance premiums while unemployed

Loans are not permitted from SIMPLE IRAs.

How to Get Started

Three Simple Steps

- 1** **Receive notification about the plan** and confirm your eligibility with your employer.
- 2** **Discuss the plan criteria** with your employer or human resources representative.
- 3** **Complete the required forms to set up your SIMPLE IRA.**
 - Complete the required forms to set up your SIMPLE IRA.
 - **Model Salary Reduction Agreement**
This form must be completed and returned to your employer to authorize your salary deferral contributions to your SIMPLE IRA.
 - **SIMPLE IRA application**
Complete an application and select your investments.
 - **Additional required forms, if applicable**
Depending on your particular situation, you may be required to complete additional forms, usually relating to the investment options chosen.

To learn more about simple IRAs,
speak with your financial professional or visit our website.

PacificLife.com

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