

# UNDERSTANDING SEP-IRAs

An Option to Consider When Saving for Retirement



Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state.

**No bank guarantee • Not a deposit • May lose value •  
Not FDIC/NCUA insured • Not insured by any federal government agency**

## What is a SEP-IRA?

A simplified employee pension (SEP) IRA is an employer-sponsored retirement savings plan that is easy to establish and administer. It allows you to make annual, discretionary, tax-deductible contributions for your employees.

## Who Can Set Up a SEP-IRA?

Self-employed individuals often set up SEP-IRAs, although corporations, partnerships, tax-exempt organizations, and state and local government entities also are eligible to establish SEP-IRAs.

## How a SEP-IRA Plan Works

You may establish a SEP-IRA by completing IRS Form 5305-SEP, by adopting a prototype SEP-IRA plan document, or by creating an individually designed SEP plan. The deadline for establishing and funding a SEP-IRA is the tax-return due date of the business, including extensions. Any contributions are deposited into individual SEP-IRA accounts owned by each eligible employee. The maximum annual contribution per eligible employee is limited to the lesser of either 25% of compensation or \$72,000 for 2026.

### Key Features

- Easy to establish and administer.
  - No IRS Form 5500 reporting.
  - No third-party administrator necessary.
- From year to year, you may vary contribution percentages or stop contributions altogether.
- Can offer employees the ability to treat contributions as a post-tax Roth IRA (in whole or in part).<sup>1</sup>
- Can now be set up by employers of domestic employees (i.e., nannies) to provide retirement benefits.
- Employees make investment decisions.
- Contributions can be made up to the tax-return due date of the business, including all extensions.

### Points to Consider

- Using a pro rata contribution formula, you must contribute an equal percentage of compensation for all eligible employees.
- All contributions are 100% vested immediately.
- Part-time employees may be eligible to participate.
- A SEP-IRA is considered an employer-sponsored retirement plan and therefore may affect employees' ability to make deductible IRA contributions.
- Employees are not permitted to take loans from their SEP-IRAs.

## Funding Your SEP-IRA

To find out how you can fund a SEP-IRA for your business, contact your tax and financial professional for more details.

<sup>1</sup>Roth SEP-IRAs are not offered by all providers or employers. Check with your provider and employer to determine if a Roth option is available. Currently, Pacific Life does not offer the Roth option toward your SEP-IRA account.



## Why Pacific Life

It's essential for you to choose a strong and stable company that can help you achieve your future income needs. Since 1868, individuals and their families have relied on the strength of Pacific Life to help protect their financial security.

- Pacific Life is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We are committed to high-quality service standards.
- We offer products that address market environments during all stages of your life.
- We maintain strong financial-strength ratings from major independent rating agencies.
- For nearly 160 years, we've remained committed to providing quality products, service, and stability to meet your needs throughout your lifetime.

2025 **WORLD'S MOST**  
**ETHICAL**  
**COMPANIES**<sup>™</sup>  
**ETHISPHERE**

Pacific Life has been named one of the 2025 World's Most Ethical Companies® by the Ethisphere Institute<sup>1</sup>, a global leader in defining and advancing the standards of ethical business practices.

While ratings can be objective indicators of an insurance company's financial strength and can provide a relative measure to help select among insurance companies, they are not guarantees of the future financial strength and/or claims-paying ability of a company. The independent third party from which this annuity is purchased, including the broker/dealer, the insurance agency from which this annuity is purchased, and any affiliates of those entities, make no representations regarding the quality of the analysis conducted by the rating agencies. The rating agencies are not affiliated with the above-mentioned entities nor were they involved in any rating agency's analysis of the insurance companies.

<sup>1</sup>Based on the Ethisphere Institute's Ethics Quotient®. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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

[PacificLife.com](http://PacificLife.com)

---

Pacific Life, its affiliates, their distributors, and respective representatives do not provide tax, accounting, or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

*Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.*

Insurance product and rider guarantees, including optional benefits and any fixed crediting rates or annuity payout rates, are backed by the financial strength and claims-paying ability of the issuing insurance company and do not protect the value of the variable investment options. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.

The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona. The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

---



**PACIFIC LIFE**



THE OFFICIAL SPONSOR  
OF RETIREMENT<sup>®</sup>