



# Retirement Plans for Small Businesses

IRA CLUB



# Contents

Empower Your Team, Secure Their Future.....	3
Establishing a Self-Directed Retirement Plan for Your Business.....	4
Solo 401(k) vs. SEP IRA.....	5
Small Business Owners.....	6
Administration Services Offered by IRA Club .....	7
Contribution Limits & Information .....	8
Plan Essentials .....	9
Stay Compliant, Stay Focused .....	10

# Empower Your Team, Secure Their Future

Do you own a business? Are you thinking about offering a retirement plan?  
A Self-Directed Retirement Plan is an attractive benefit with advantages in several key areas:

## FOR EMPLOYERS

- **Attract and retain talent:** A competitive retirement plan with self-direction can be a valuable differentiator in the job market, helping you attract and retain skilled employees.
- **Tax benefits:** Depending on the plan you choose; you may be eligible for tax benefits on your contributions to employee accounts.
- **Reduce administrative burden:** Self-directed options often come with reduced administrative responsibilities for you, as the employees make the investment decisions.
- **State requirements:** As of June 2023, nearly a dozen states mandated eligible employers (including small businesses) to offer a retirement plan.

## FOR EMPLOYEES

- **Greater investment control and flexibility:** At IRA Club, they can choose investments that align with their financial goals and interests. This could mean exploring alternative investments such as real estate, private placements and individual stocks not typically offered in traditional plans.
- **Potential for higher returns:** A self-directed plan opens the door to potentially higher returns compared to standard plan options that only allow mutual fund investments.
- **Enhanced sense of ownership and responsibility:** Taking charge of their retirement savings can empower employees and encourage financial planning for their future.

## HOW IRA CLUB CAN HELP

- **Choose the right plan:** SIMPLE IRA, SEP IRA, Solo 401(k), Safe Harbor 401(k).
- **Simplify administration:** We manage the details; you focus on your employees.

*Give your employees the gift of a secure future. Let our services take the worry out of saving.*





# Establishing a Self-Directed Retirement Plan for your Business

This guide outlines key steps to establish a self-directed retirement plan, tailored to your unique needs.

## STEP 1 – DETERMINE YOUR PLAN TYPE

- **Self-employed:** Solo 401(k), SEP IRA
- **Employees:** Safe harbor 401(k), SIMPLE IRA

## STEP 2 – CHOOSE YOUR ADMINISTRATOR

- **DIY:** Manage the plan yourself. This requires expertise, and knowledge of the DOL and IRS regulations.
- **IRA Club:** We handle the heavy lifting, leaving you free to focus on your business.

## STEP 3 – ESTABLISH THE PLAN FOUNDATION

- **Adopt a written plan document:** This outlines your plan's rules and regulations. We can help you choose the right one, or you can seek assistance from a third party.
- **Trust agreement:** This protects your retirement savings in case of unforeseen circumstances.
- **Develop a recordkeeping system:** Track contributions, investments, and distributions.
- **Provide plan information to eligible employees:** Ensure they understand their rights and responsibilities.

**Remember:** Each plan type has specific contribution limits and eligibility requirements. Choosing the right plan and administrator is crucial. Contact IRA Club to discuss your options.



# Solo 401(k) vs. SEP IRA: High Limit Retirement Plans designed for the Self-Employed

The IRS and Department of Labor allow self-employed individuals to make large annual contributions to retirement plans. Are you deciding between these two types of plans? The goal for a busy business owner is to find a program that is both flexible and easy to maintain. The ideal plan would allow you to start and stop at any time. Be low in cost and require almost none of your time for administration.

## SOLO 401(K)

For single-owner businesses with higher earning potential, the Solo 401(k) offers high contribution limits. As both employee and employer, you can contribute significantly more. And also contribute for your spouse. Enjoy the double benefit of tax-deductible contributions and tax-deferred growth, maximizing your money's potential.

Investment flexibility is one of the most popular features. A self-directed Solo 401(k) at IRA Club enables you to invest in traditional stocks or alternatives such as real estate or private placements. This allows you to tailor your portfolio to your unique risk tolerance and goals.

If you need immediate access to the funds, Solo 401(k)s do offer loan options.

Thinking more long-term? You may consider the Roth option within a Solo 401(k). While you pay upfront taxes on contributions, you will enjoy tax-free withdrawals in retirement.

## SEP IRA

Setting up and managing this plan is a breeze and requires minimal paperwork. As the employer, you contribute to your own retirement, and you can optionally include eligible employees. Contributions are based on a percentage of their salaries, ensuring fairness and transparency.

There are a couple of limitations to consider. While employees cannot contribute themselves, the SEP IRA offers flexibility in contribution amounts. The maximum contribution limit for employers is lower compared to Solo 401(k)s. Additionally, contributions are tax-deductible but taxed as ordinary income in retirement.

The SECURE Act 2.0 introduced a notable change for self-employed individuals: the Roth SEP IRA. This new option, effective for the 2023 tax year, allows you to designate contributions as Roth, meaning future qualified distributions (including earnings) will be tax-free in retirement. While this is a powerful new option, it is crucial to understand the details and IRS rules. We encourage you to schedule a call with us to determine if a Roth SEP IRA is the right fit for your unique situation.





# Small Business Owners

(5-199 employees)

## SAFE HARBOR 401(K)

This plan simplifies retirement savings for both employers and employees. They automatically pass complex nondiscrimination tests, saving employers time and resources. Employers can attract and retain talent with predictable employer contributions, which are usually tax-deductible. Employees benefit from guaranteed employer contributions, boosting their retirement savings while enjoying potential tax advantages on their own contributions. Vesting schedules offer further peace of mind. This plan is an excellent choice for businesses with 5-199 employees, striking a balance between simplicity and comprehensive benefits.

## SIMPLE IRA

A Savings Incentive Match Plan for Employees (SIMPLE) is designed for small businesses with 100 or fewer employees, it provides a straightforward and cost-effective way to provide employee retirement savings. Both employers and employees can contribute. You can choose to match employee contributions or make non-elective ones; Employees appreciate the pre-tax deductions on their contributions. Administration is simple with no complex

testing requirements. For small businesses seeking a basic and accessible retirement option, the SIMPLE IRA proves its worth.

## PAYROLL DEDUCTION IRA

For small businesses with 12 or fewer employees, Payroll Deduction IRAs offer a convenient solution to boost employee retirement savings. This plan allows employees to contribute a portion of their pre-tax salary directly into their own IRA accounts through automated payroll deductions. The process is easy: employees choose a percentage or fixed amount to be deducted, and the funds automatically flow to their individual IRAs. These contributions offer potential tax benefits, potentially lowering their taxable income. Employees can invest their funds in diverse options based on their personal preferences, and the portable nature of the IRA allows for seamless transfers or rollovers when changing jobs.



# Administration Services Offered by IRA Club

Once the small business retirement plan is established, IRA Club will assume certain responsibilities on behalf of the plan.

## HASSLE FREE ADMINISTRATION

Our team manages the complexities of recordkeeping, ensuring accurate tracking and attribution of contributions, investments, and distributions. As your administrator, we take care of maintaining the required records and filing the annual return with the IRS, so you can focus on running your business.

All eligible plan participants (18 years of age and older) will receive a clear and concise Summary Plan Description (SPD), which outlines the plan's key features and operating procedures. This document emphasizes benefits such as:

- **Tax-advantaged contributions:** Reduce taxable income with pre-tax contributions (traditional IRA) or enjoy tax-free distributions later with Roth contributions.
- **Employer contributions (optional):** Increase employees' retirement savings potential through your contributions.
- **Compounding tax-deferred earnings:** Accounts grow faster with tax-deferred earnings on their contributions.

## PARTICIPATION

Not all employees may participate. While it typically includes both rank-and-file and owner/manager employees, there are some exceptions:

- **Youngsters:** Those under 18 are typically excluded.
- **Newbies:** Employees who have not completed a full year of service might not be eligible.
- **Unionized workers:** If retirement benefits were already negotiated in good faith through a collective bargaining agreement, those employees may be excluded.
- **Non-resident aliens:** Certain non-resident aliens might not be eligible to participate.

Partnering with IRA Club ensures your employees have the information and support they need to participate confidently in your retirement plan, while enjoying a streamlined administrative process.



# Contribution Limits and Information

In all the types of plans we offer; participants can contribute through salary deductions. You can decide how much your business contributes to employee accounts depending on the type of plan you choose.

## RETIREMENT SAVINGS OPTIONS FOR DIFFERENT BUSINESS TYPES: A SIMPLIFIED COMPARISON

BUSINESS TYPE	PLAN OPTION	EMPLOYEE ELIGIBILITY	CONTRIBUTION LIMITS (EMPLOYEE)	EMPLOYER CONTRIBUTION OPTIONS
Self-Employed	Solo 401(k)	Self and Spouse	Up to \$23,000 + \$7,000 Catch-up (age 50+)	Up to 25% of employee compensation
	SEP IRA	Self and Employees	N/A (employer contributions only)	Up to 25% of employee compensation or \$66,000 (whichever is less)
Small Business Owners (2-199 employees)	Safe Harbor 401(k)	All eligible employees	Up to \$23,000 + \$7,000 Catch-up (age 50+)	100% match up to 3% + 50% match up to 5% of employee compensation (Basic) or custom match (Enhanced)
	SIMPLE IRA	All eligible employees	Up to \$16,000 + \$3,000 Catch-up (age 50+)	Required: Match employee contributions up to 3% or contribute 2% of employee compensation
Any Business Size	Payroll Deduction IRA	Any employee with earned income	Up to \$7,000 + \$1,000 Catch-up (age 50+)	N/A (employee contributions only)

### NOTES:

- Self-employed contributions are based on net earnings.
- Percentage contributions to SEP IRA must be the same for all eligible employees.
- Contribution limits may change annually.





# Plan Essentials

## VESTING: OWNING YOUR CONTRIBUTIONS

Good news! Employee salary deferrals are 100% vested immediately after reaching a \$500 minimum balance. This means any money you contribute is yours to keep. If an employee leaves the company, they are entitled to the funds in the plan.

## NONDISCRIMINATION: SHARING THE BENEFITS

To maintain tax benefits, the plan must offer equal benefits to all eligible employees, not just owners and managers. This is ensured by following “nondiscrimination rules” that compare both participation and contributions across different employee groups.

## INVESTING FOR YOUR FUTURE

Remember to select diverse options with equal access for everyone. Remember, whether you are employer or employee, everyone gets the same investment choices. For example, if you offer real estate investments within the plan, all participants must have that option.

## STAYING INFORMED: DISCLOSURE DOCUMENTS

IRA Club, as the administrator, will provide clear and up-to-date information about the plan. This includes changes, decisions, and actions you can take regarding your account.

## SUMMARY PLAN DESCRIPTION: YOUR ESSENTIAL GUIDE

The Summary Plan Description (SPD) covers your rights, responsibilities, plan features, and expected benefits. It also details administrative expenses and is provided upon joining the plan and receiving benefits. Regular updates ensure you have the latest information.

The SPD must include:

- **Eligibility:** When and how to join the plan.
- **Contributions:** The amount you and the employer contribute.
- **Vesting:** How long it takes to own your contributions fully.
- **Benefits:** When and how to access the retirement savings.
- **Claiming Benefits:** The process for requesting retirement funds.
- **Your Rights:** Understanding your entitlements under ERISA.



# Stay Compliant, Stay Focused

At IRA Club, we manage the plan reporting, ensuring you stay compliant and focused on running your business. We take care of submitting required information to the IRS, including:

**Form 5500 Annual Return/Report of Employee Benefit Plans:** Most retirement plans must file this annual report with the IRS and Department of Labor, disclosing details about the plan's operation. Depending on your specific plan and participant numbers, we will file the appropriate form:

- **Form 5500:** Used for most plans.
- **Form 5500-SF:** Shorter form for plans with fewer participants.
- **Form 5500-EZ:** For one-participant plans owned by entrepreneurs and spouses.

Form 5500 and 5500-SF are filed electronically through EFAST2, ensuring public access to the reports. For Form 5500-EZ, we can file electronically or by paper. Regardless of the method, remember this form is not publicly available.

## ADDITIONAL NOTES:

One-participant plans with assets under \$250,000 at year-end are exempt from annual filing, but a final return is required in the event of a plan termination.

IRA Club will also file Form 1099-R, reporting distributions and rollovers from your retirement plan to both the IRS and recipients.

By partnering with IRA Club, you gain peace of mind knowing your retirement plan reporting is accurate and timely, allowing you to concentrate on what matters most—running your business and securing your future.



# IRA CLUB

67 E Madison St, Chicago, IL 60603 \* 312-795-0988 \* [info@iraclub.com](mailto:info@iraclub.com)