

## SEP-IRA PLAN



SIMPLE TO SET UP. SIMPLE TO ADMINISTER.  
DESIGNED FOR YOU AND YOUR BUSINESS.

## BENEFITS FOR YOU, BENEFITS FOR YOUR EMPLOYEES

A Simplified Employee Pension Plan, commonly known as a SEP-IRA, is a tax-deferred retirement plan specifically created for small-business owners and self-employed individuals.

Sole proprietors, independent contractors, partnerships, and small-business owners (subchapter S or C) can all use a SEP-IRA to help fulfill their retirement plan needs.

Regardless of whether your goal is to provide retirement income for yourself or to provide a valuable benefit for any employees you may have, a SEP-IRA may be just the plan for you. Take a look at the many benefits a SEP-IRA can offer:

### IT'S SIMPLE

A SEP-IRA is easy to set up and administer. And, unlike many other retirement plans, the SEP-IRA does not burden you with annual IRS tax filings or complicated compliance tests. This can save you a substantial amount of time and effort and helps you keep your focus where it belongs — on your business.

### SETUP IS EASY

- Adopt IRS Model Form 5305-SEP
- Provide your employees with a completed copy of IRS Form 5305-SEP
- Establish IRA(s) — you and your eligible employees must each establish an Individual Retirement Account (IRA) under your SEP-IRA plan

### CONTRIBUTIONS

- Contribute the same percentage of each eligible employee's annual compensation to your employees' SEP-IRAs
- Send each eligible employee written notification of the amount that you (as their employer) contributed to their SEP-IRA for the calendar year

### IT PROVIDES TAX BENEFITS

All contributions to a SEP-IRA are tax deductible — and any investment earnings accumulate on a tax-deferred basis until withdrawal at retirement. If you are self-employed (unincorporated), you may deduct contributions to your own account from your earned income and deduct, as a business expense,<sup>1</sup> contributions you've made to employees' SEP-IRAs.

If your business is incorporated, you may deduct contributions to your own account and employees' accounts as a business expense.

The chart on the next page, which assumes a 20% SEP-IRA contribution, shows a self-employed (unincorporated) individual how a SEP-IRA can help reduce current taxes.<sup>2</sup>

<sup>1</sup> The Premiere Select® SEP-IRA Plan under IRS Model Form 5305-SEP must be maintained on a calendar-year basis. Tax-deductible contributions are deductible for the business tax year within which the calendar year ends. Contributions made for a particular tax year are deductible for that tax year if contributed by the due date of your income tax return, including extensions.

<sup>2</sup> The contribution amount is determined by applying the desired percentage (20%) to the income from the business, less the deduction for self-employment tax and the amount contributed to the SEP-IRA.



### IT'S FLEXIBLE

The rules governing SEP-IRA contributions are flexible. SEP-IRA contributions are made by you, directly to your own SEP-IRA and the SEP-IRAs of each eligible employee. Best of all, your contributions can vary each year. You have the option of skipping contributions any year you want.

### REDUCES YOUR FIDUCIARY RESPONSIBILITY

Each employee chooses his or her own investments within their own SEP-IRA (which they need to establish to receive your SEP-IRA contributions) and has complete discretion to move their SEP-IRA to any other SEP-IRA at any time. This feature helps to reduce your fiduciary liability — and gives your employees control of the retirement plan contributions you make on their behalf.

### PREMIERE SELECT SEP-IRA PROVIDES SPECIAL ADVANTAGES

The Premiere Select® SEP-IRA offers you and your employees a wide variety of investment choices. Choose from more than 15,000<sup>1</sup> mutual fund share class alternatives, plus thousands of individual securities available through your self-directed brokerage SEP-IRA.

With the assistance and insight of your investment representative, and the investment choices available through the Premiere Select SEP-IRA, you can build a portfolio that's targeted to your personal retirement goals.

	Without a SEP-IRA	With a SEP-IRA
Income from business	\$50,000	\$50,000
Less deduction for self-employment tax	\$3,532	\$3,532
Less contribution to SEP-IRA	\$0	\$9,294
Taxable income	\$46,468	\$37,174
Federal income tax of 27%	\$12,546	\$10,037
<b>Current tax year savings by contributing to a SEP-IRA</b>	\$0	\$2,509

After-tax returns will vary depending on prevailing tax rates and your personal circumstances. This hypothetical example is for illustrative purposes only and does not take into account the effect of exemptions, itemized deductions, and FICA, state, and local taxes. Contributions and earnings will be taxed when withdrawn at the tax rate in effect at that time.

<sup>1</sup> As of September 30, 2008

## SEP-IRA HIGHLIGHTS

Suitable for	Self-employed individuals, small-business owners, and independent contractors who want a plan that is easy to set up and administer
Employer eligibility	Employers who do not currently maintain a qualified plan may adopt the IRS Model Form 5305-SEP
Employee eligibility	The plan must include employees who: <ul style="list-style-type: none"> <li>■ Are at least 21 years of age</li> <li>■ Have worked for the employer for at least three of the last five years and earned at least \$550 a year, as indexed thereafter</li> </ul>
Deductibility	Contributions are tax deductible for the employer
Contribution limits	The maximum employer contribution per participant is the lesser of 25% of total compensation <sup>3</sup> or \$49,000 (20% for self-employed individuals)
Contribution frequency	The employer decides when to contribute and how much to contribute. Yearly contributions are not required, although when contributions are made, they must be made for all eligible employees
Uniform contribution	The same contribution percentage must be used for all eligible employees and the employer when contributions are made to the plan
Deadline to establish the plan	The plan must be set up by the employer's tax-filing deadline, including extensions
Contribution deadline	Contributions are due by the employer's tax-filing deadline, including extensions, for the year for which the contributions are made
Vesting	100% immediate vesting
Distributions	Distributions are available at any time; however, taxes and penalties may apply. Penalty-free distribution events include: <ul style="list-style-type: none"> <li>■ Attainment of age 59½</li> <li>■ Death</li> <li>■ Disability</li> <li>■ Certain substantially equal payments</li> <li>■ Certain unemployment expenses</li> <li>■ Qualified higher education expenses</li> <li>■ Qualified first-time home purchase (\$10,000 lifetime limit)</li> <li>■ Certain medical expenses in excess of 7.5% AGI (Adjusted Gross Income)</li> <li>■ Qualified reservists<sup>4</sup></li> </ul> <p>Minimum distributions must begin by April 1 following the year an individual turns age 70 ½ and must occur by December 31 each year thereafter</p>

<sup>3</sup> For 2008, the maximum compensation on which contributions can be based is \$230,000, and for 2009 is \$245,000, and indexed thereafter.

<sup>4</sup> A qualified reservist distribution is made to an individual ordered or called to active duty for a period of more than 179 days of the active duty or for an indefinite period after 9/11/01. The Qualified Reservist Distribution provision was made permanent by the Heroes Earning Assistance and Relief Tax (HEART) Act of 2008.

## THREE EASY STEPS

Once you've decided to establish a SEP-IRA for yourself and your employees, simply follow these three steps:

### STEP 1

#### REVIEW THE ENCLOSED EMPLOYER GUIDE

It provides instructions for adopting and maintaining the IRS Model Form 5305-SEP — as well as establishing and funding Premiere Select® SEP-IRA accounts.

### STEP 2

#### HAVE ELIGIBLE EMPLOYEES COMPLETE A PREMIERE SELECT SEP-IRA APPLICATION

One application kit is enclosed. Your investment representative can provide you with additional kits, if necessary.

### STEP 3

#### SEND FORMS TO YOUR INVESTMENT REPRESENTATIVE

Once your Premiere Select IRA application(s) and any other applicable forms have been received, your investment representative, working with National Financial, will sign and process your request.





## THINK AHEAD

Are you too busy focusing on the present to take care of the future?

Today, it's more important than ever to plan carefully if you want to enjoy a financially secure retirement.

As a small-business owner or self-employed individual, you are eligible to establish a special type of retirement plan that can help you — and your employee(s) — invest for the future: a Simplified Employee Pension Plan (SEP-IRA). And, as an added benefit, it may help you attract and retain the kind of employees who are vital to the continued success of your business.

<Affix your Broker/dealer member name and information here>

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