

# Schwab SEP-IRA Plan

Designed specifically for self-employed individuals and small business owners, a Schwab SEP-IRA provides a low-cost and easy way to contribute toward your own retirement, as well as the retirement of any qualified employees.

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## Benefits

**High contribution limits**—Contribute up to 25% of compensation (20% if you're self-employed)<sup>1</sup> or \$55,000 (for tax year 2018) and \$56,000 (for tax year 2019), whichever is less, for you and any employees.

**Easy setup and management**—Easy to set up and maintain, a SEP-IRA does not require IRS filing or reporting, unlike other retirement plans available to small business owners.

**Flexibility**—You decide how much to contribute each year, from \$0 to the allowed maximum. And you are not required to contribute each year.

**Great value**—Keep your costs low and maximize your investment returns with no account opening or maintenance fees (other account fees, fund expenses, and brokerage commissions may apply)<sup>2</sup> and a wide range of no-load, no-transaction-fee mutual funds.<sup>3</sup>

**Tax advantages**—Contributions are tax-deductible. Any earnings can grow tax-deferred until it's time to withdraw the funds during retirement.

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## Features

**Online account access**—Check balances, monitor positions and performance, place trade orders,<sup>4</sup> make transfers and payments, and download forms anytime on Schwab.com.

**Planning tools, resources, and support**—Take advantage of many useful tools on Schwab.com, including Schwab's Retirement Assessment Tool, investment screeners, and research.

**Investment choice**—Select from a wide range of investments, including:

- **Mutual funds**—Choose from thousands of mutual funds with no loads and no transaction fees, and take advantage of our online screening tools and carefully screened lists of funds.<sup>3</sup>
- **Stocks**—Along with our commitment to fast trades and dependable execution, you can rely on Schwab's winning combination of service, insight, and value.
- **Fixed income**—Access thousands of fixed income securities; explore municipal, corporate, and government agency bonds, bond funds, and other fixed income securities.

## SEP-IRA Details

### Eligibility

**Employer eligibility** Appropriate for virtually all types of self-employed individuals and small business owners, with or without employees, including: sole proprietors, independent contractors, S and C corporations, and limited liability companies.

You can also have a SEP-IRA if you earn any self-employment income by providing a service (either full-time or part-time), even if you are already covered by a retirement plan at your full-time job.

**Participant eligibility** Eligible employees generally include employees age 21 or older who have worked for you for three of the last five years and who earn at least \$600 in the current year.<sup>5</sup> You may, however, adopt more liberal eligibility requirements.

### Administration

**Reporting requirements** No IRS filing, tax reporting, or compliance testing are required.

**Establishment deadline** In order to fund a plan for the current year, you must establish your plan by your tax-filing deadline, including extensions.

**Account open requirements** All eligible employees are required to participate in your SEP-IRA plan. If just one eligible employee does not open a SEP-IRA to receive contributions, the whole plan could be disqualified. To avoid this, you are permitted to open a SEP-IRA for any eligible employee who cannot or will not open one.

### Tax Advantages

**Contributions** Tax-deductible.

**Earnings** Taxes are deferred until you start withdrawing funds.

**Withdrawals** Taxable.

### Annual Contributions

**Contribution deadline** Deadlines to establish and fund your SEP-IRA plan are the same as for your business tax-filing deadline—in most cases, April 15. Any tax-filing extension you receive also applies to your SEP-IRA.

**Contribution limits** You may contribute up to 25% of compensation (20% if you're self-employed) or \$55,000 (for 2018) and \$56,000 (for 2019), whichever is less, for you and each eligible employee.

**Funding requirements** As the employer, you are responsible for making contributions to the plan. If you contribute for yourself, you must also contribute for all eligible employees, including those who terminated employment during the year.

**Vesting** Immediate.

### Withdrawals

**Tax consequences/penalties** Any earnings and contributions are taxed at the time of withdrawal. Withdrawals made before age 59½ are subject to a 10% penalty.

**Exceptions to penalty** Some exceptions are made if funds are used for a first-time home purchase, education, or certain medical expenses. Other exceptions may also apply.

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## Next Steps

To establish a Schwab SEP-IRA plan and open an account for yourself and your employees, complete and return all required forms, including those for participating employees. Be sure to keep copies for your files. You can download additional forms for yourself and your employees at Schwab.com.

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## How to Contact Us

For questions about Schwab SEP-IRAs or for help in completing the forms:

[Call](tel:1-800-435-4000) 1-800-435-4000.

[Visit](#) a Schwab branch near you.

[Go to](https://www.schwab.com) Schwab.com.

Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value

**Investors should carefully consider information contained in the prospectuses, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling Schwab at 1-800-435-4000. Please read the prospectus carefully before investing. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.**

This information is not intended to be a substitute for specific individualized tax or legal advice, and you should consult with a qualified legal or tax advisor for further assistance.

<sup>1</sup>This percentage of business net profit, after subtracting the self-employment tax deduction, is equivalent to the employee percentage given.

<sup>2</sup>Please refer to the *Charles Schwab Pricing Guide for Individual Investors* (the "Guide") and any amendments to the Guide for comprehensive details on fees.

<sup>3</sup>Trades in no-load mutual funds available through the Mutual Fund OneSource<sup>®</sup> service (including Schwab Funds<sup>®</sup>), as well as certain other funds, are available without transaction fees when placed through Schwab.com or our automated phone channels. For each of these trade orders placed through a broker, a \$25 service charge applies. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds, which may charge a separate redemption fee, and funds that accommodate short-term trading. Funds are also subject to management fees and expenses. Charles Schwab & Co., Inc. receives remuneration from fund companies in the Mutual Fund OneSource program for recordkeeping and shareholder services, and other administrative services. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.

<sup>4</sup>System availability and response times are subject to market conditions and connection limitations. Trades received outside normal market hours will be entered the next business day. Requires a wireless signal or mobile connection.

<sup>5</sup>May be adjusted for inflation in future years. Employees who are covered by a collective bargaining agreement, nonresident aliens to whom you didn't pay income, and certain acquired employees may be excluded.

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