

# Schwab SIMPLE IRA plan

As a small business owner with up to 100 employees, you can open a Schwab SIMPLE IRA as a low-cost, easy way to contribute to your own retirement and lower your taxes, as well as provide your employees with a tax-advantaged, company-sponsored retirement plan.

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## Benefits

**Easy setup and management**—Unlike other small business retirement plans, a SIMPLE IRA doesn't require any IRS filing or compliance testing.

**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>1</sup> and a wide choice of no-load, no-transaction-fee mutual funds.<sup>2</sup>

**High contribution limits**—Benefit from high salary deferrals into your account as well as contributions from your business.

**Employee retention**—Attract and retain valuable employees with a retirement plan that both you and your employees contribute to.

**Tax advantages**—As an employer, you can generally deduct any contributions you make on behalf of your plan participants from your business expenses. And any earnings in your own participant account are tax-deferred until withdrawal. You can also receive a tax credit for establishing a new SIMPLE IRA.

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## Features

**Portfolio solutions**—Get invested quickly in a professionally managed, broadly diversified portfolio with the help of our simple, one-step portfolios. Choose from:

- **Schwab Target Funds** are designed to help keep your retirement investments properly allocated over your lifetime. The funds are built with the expectation that you will start gradual withdrawals of fund assets on the target date to begin covering expenses in retirement. Select the fund that is closest to your planned retirement date and ensure the asset allocation best matches your risk tolerance, personal circumstances, and complete financial situation.

**Target date funds are built for investors who expect to start gradual withdrawals of fund assets on the target date, to begin covering expenses in retirement. The principal value of the funds is not guaranteed at any time and will continue to fluctuate up to and after the target date. The target date in the name of the fund is the approximate date when an investor plans to start withdrawing money. There is no guarantee the funds will provide adequate income at or through retirement. The funds' asset allocations are subject to change over time in accordance with the prospectuses.**

- **Schwab MarketTrack Portfolios**<sup>®</sup> are designed to give your portfolio a well-diversified base. Choose from four unique index fund portfolios, each with a different mix of investments to match your risk tolerance and goals, in one cost-effective mutual fund.

## Features (continued)

**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>2</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.

**Online account access**—Check balances, monitor positions and performance, place trade orders,<sup>3</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.

## SIMPLE IRA Plan Details

| Eligibility                     |  |
|---------------------------------|--|
| Employer eligibility            | Employers with 100 or fewer employees who do not already maintain or contribute to another employer-sponsored retirement plan in the same year are eligible.   |
| Participant eligibility         | <ul style="list-style-type: none"><li>▪ Any employee who received at least \$5,000 in compensation from your company during any two prior years (need not be consecutive) and who you reasonably expect will receive at least \$5,000 in the current year is eligible to participate.</li><li>▪ Each eligible employee can decide whether or not to participate and how much he or she wants to contribute, up to the allowable maximum.</li></ul> |
| Administration                  |  |
| Reporting requirements          | No IRS filing or tax reporting and no compliance testing are required.   |
| Establishment deadline          | In order to fund a plan for the current year, you must establish your plan before October 1 of that year.  |
| Tax Advantages                  |  |
| Tax-advantaged growth potential | Contributions to your account can grow tax-deferred, and you pay no taxes on what your investments earn until withdrawal.  |
| Tax credit                      | A tax credit of up to \$500 may be available during the first three years of your plan.  |

| Annual Contributions       |  |
|----------------------------|--|
| Contribution source        | Contributions to your account can grow tax-deferred, and you pay no taxes on what your investments earn until withdrawal.  |
| Contribution deadline      | <ul style="list-style-type: none"> <li>▪ Employer contributions must be made annually by your tax-filing deadline, including extensions.</li> <li>▪ Employee contributions deducted from employees' salaries must be deposited at least once a month.</li> </ul>   |
| Employer contributions     | <p>As the employer, you have the choice of making either a tax-deductible matching contribution or a nonelective contribution to employee accounts:<sup>4</sup></p> <ul style="list-style-type: none"> <li>▪ Match employee salary contributions dollar-for-dollar up to 3% of compensation (can be reduced to 1% in any two out of five years).</li> <li>▪ Make a nonelective contribution<sup>5</sup> of 2% of compensation for all eligible employees (including those who decide not to contribute for themselves). This maximum is \$5,600 for 2019 and \$5,700 in 2020.</li> </ul> |
| Employee contributions     | Employees (including the business owner) can contribute up to 100% of their compensation or a maximum of \$13,000 for tax year 2019 and \$13,500 for tax year 2020. If you are age 50 or over, you may contribute up to \$16,000 a year for tax year 2019 and \$16,500 for tax year 2020.  |
| Funding requirements       | Employer contributions are mandatory. Employee contributions are optional.   |
| Vesting                    | Immediate.   |
| Withdrawals                |  |
| Tax consequences/penalties | <ul style="list-style-type: none"> <li>▪ Any earnings and contributions are taxed at time of withdrawal.</li> <li>▪ Withdrawals before age 59½ are subject to a 10% penalty.</li> <li>▪ If the withdrawal occurs within the first two years of participation in the Schwab SIMPLE IRA Plan, the 10% penalty is increased to 25%.</li> </ul>  |
| Exceptions to penalties    | <ul style="list-style-type: none"> <li>▪ Some exceptions are made if funds are used for a first-time home purchase, education, or certain medical expenses. Other exceptions may also apply.</li> </ul>  |
| Distribution requirements  | You must start taking the Required Minimum Distribution (RMD) withdrawals upon reaching age 70½.   |

## Next Steps

**Follow these instructions to open your Schwab SIMPLE IRA:** To establish a Schwab SIMPLE 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.

## How to Contact Us

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

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

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

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

Schwab Target Funds are one of many choices available for investing your retirement plan contribution. Investors should consider risk tolerance and personal financial conditions along with age and retirement date before investing in the Target Funds. You can learn more about Schwab Target Funds and other investment opportunities at [schwab.com/target](http://schwab.com/target) or by contacting your Schwab representative.

<sup>1</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>2</sup>Trades in no-load mutual funds available through the Mutual Fund OneSource® service (including Schwab Funds®), 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>3</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>4</sup>If you decide to make a 1% matching contribution or a 2% nonelective contribution for a plan year, employees must be notified at least 60 days before the start of the plan year.

<sup>5</sup>The annual compensation cap for calculating nonelective contributions is \$280,000 for 2019 and \$285,000 for 2020 (subject to annual adjustments for inflation). Matching contributions have no compensation cap. A compensation cap means that if the employee's compensation is over \$285,000 in 2020, only \$285,000 will be used for calculation purposes for 2020.

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.

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