

SEP IRA

Q What is a Simplified Employee Pension (SEP)?

A A SEP is a retirement plan where a business owner contributes money to an eligible employee's Individual Retirement Account (IRA).

Q The company I work for has a SEP plan but how can I know if I am entitled to receive a contribution?

A Your employer should notify you. In most circumstances, however, you should receive a contribution if you are at least 21 years old and have worked at the company in 3 out of the previous 5 years.

Q How much can be contributed to my SEP IRA each year?

A For tax year 2009, the contribution is limited to the lesser of \$49,000 or 25% of your compensation. Annual contributions are not required.

Q How are contributions made to my SEP IRA?

A The company makes a contribution as a percentage of your pay. For example, if you earned \$30,000 and your employer made a 10% contribution, you would receive \$3,000 ($\$30,000 \times 10\%$). Your employer makes this contribution directly to your SEP IRA. The contribution may fluctuate from year to year.

Q Are SEP contributions included in my gross income?

A No.

Q Are contributions made to my SEP IRA subject to a vesting schedule?

A No.

Q Can I contribute to a Traditional IRA if I am participating in my employer's SEP plan?

A Yes. However, you may not be able to take a tax deduction for your contribution.

Q Can I contribute to a Roth IRA if I am participating in my employer's SEP plan?

A Yes, as long as your Modified Adjusted Gross Income does not exceed a certain dollar amount.

Q Is there an investment minimum?

A Yes. It is \$2,000 per Fund.

Q Is there a custodial fee?

A Yes. If your IRA balance is less than \$10,000, there is a charge of \$15 per year.

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For the Business Owner:

Q I am a business owner. How do I establish a SEP?

A Complete the IRS Form 5305-SEP IRA Contribution Agreement. To obtain one, call us, call the IRS (1-800-TAX-FORM) or download one at www.irs.gov.

Q What IRS requirements must I comply with?

A You must provide a copy of the Form 5305 SEP-IRA Contribution Agreement to your eligible employees. You must also ensure that contributions are not made in excess of the legal limits allowed, as explained earlier. Before making the SEP contributions, make sure that each eligible employee has established a SEP IRA account.

Q What is the contribution deadline?

A For a corporation, 2½ months after its fiscal year end. For partnerships and sole proprietors, April 15th. However, if your business receives a tax extension, contributions are not due until the tax extension due date.

***For more information or to open a SEP IRA, please contact
a Sit Mutual Funds Investor Services Representative at:
800-332-5580***