



# WHY A SIMPLE IRA PLAN?

## Simplicity

### Similar to 401(k)s, but made especially for small businesses

The Savings Incentive Match Plan for Employees (SIMPLE) was introduced by a provision of the Small Business Job Protection Act of 1996 as a unique way for small businesses to provide a retirement plan for employees. This plan is primarily employee-funded, with generally a 3% (of compensation) employer matching contribution requirement.<sup>1</sup> It provides a low-cost alternative for employers who cannot sponsor a 401(k) plan, but still want to offer a retirement program.

### BENEFITS TO YOU

#### Flexible employer contribution program

- may be changed annually
- minimum contribution required for all eligible employees earning at least \$5,000 during the year:
  1. dollar-for-dollar match up to 3% of pay (see Examples 1–3 below) — may be reduced to as low as 1% for two of every five years OR
  2. 2% of gross pay (see Example 4 below)

- For 2007, \$26,000 is the maximum annual allocation to a participant’s account (\$10,500 deferral, plus \$10,500 maximum match; \$2,500 catch-up contribution and \$2,500 matching contribution, if applicable). Limited to 3% of compensation.
- all employer and employee contributions are immediately vested

#### Simplicity

- No complex compliance testing or ERISA reporting.
- IRS Form 5304-SIMPLE has already been drafted and approved by the IRS.
- Must be the employer’s only plan.

#### Tax-deductible contributions

- Both employee deferrals and company contributions are deductible business expenses.

#### Easy employee qualification

- Employees who earned at least \$5,000 per year during any two preceding years and who are expected to earn at least \$5,000 this year are eligible.

	Example 1 3% match	Example 2 3% match	Example 3 3% match	Example 4 3% match
Employee annual compensation	\$30,000	\$30,000	\$30,000	\$30,000
Employee salary deferrals	\$1,200	\$600	\$0	\$0
Employer contribution	\$900	\$600	\$0	\$600
Explanation	dollar-for-dollar match, up to 3% of compensation	dollar-for-dollar match	dollar-for-dollar match	2% of gross pay,* regardless of employee deferral

\*The compensation on which the employer calculates the contribution is limited to \$225,000 for the 2007 plan year.

Investment & Insurance Products:

- Not Insured by FDIC or any Federal Government Agency
- May Lose Value
- Not a Deposit of or Guaranteed by a Bank or any Bank Affiliate

People’s Financial Advisors is a division of People’s Securities, Inc., a Broker/Dealer, Member of FINRA and SIPC, and a Registered Investment Advisor. Investment and insurance products are offered through People’s Securities, Inc., a subsidiary of People’s United Bank.

**People’s Financial Advisors**<sup>SM</sup>



# WHY A SIMPLE IRA PLAN?

## Simplicity

### Reduced fiduciary responsibility

- Because employees direct the investments of their own accounts, liability for investment results is limited.

### WHO MAY BE A LIKELY CANDIDATE FOR A SIMPLE IRA?

1. An employer who wants a retirement plan with minimal costs.
2. An employer who wishes to establish a plan with an employee contribution component.
3. Self-employed individuals who could defer a larger percentage of their compensation due to the flat dollar contribution limit.

### BENEFITS TO YOUR EMPLOYEES

#### Tax-deferred contributions and earnings

- The IRS does not tax the money your employees contribute, or its earnings, until they withdraw the money at retirement.
- Employees can save more for retirement with a company-match contribution.
- Combined employer/employee contributions are vested immediately
- Employees can choose from a diverse group of investments.
- Employees can monitor their investments and make exchanges via telephone or the internet.

### Employee deferrals

- The 2007 annual maximum deferral is \$10,500.
- Employees 50 years of age or older may make catch-up contributions (see chart below).
- The employee controls the distributions.

Maximum annual employee contribution amounts		
Year	Amount	Amount if employee is 50 or older
2007	\$10,500	\$13,000
2008	Indexed to Inflation	

### ADVICE FOCUSED ON YOUR BUSINESS

For help in determining which retirement plan is best for your small business call us at **1-800-392-3009** to schedule an appointment with a Financial Advisor in your area.

*<sup>1</sup>The employer must match employee deferrals dollar-for-dollar up to 3% of the employees' compensation (compensation includes employee deferrals), or the employer may choose to make a 2% of compensation, non-elective contribution to all eligible employees (even those who choose not to defer).*

Sources: American Funds SIMPLE IRA Plan sponsor guide. Franklin Templeton SIMPLE IRA & SEP IRA Employer Guide. The Hartford Retirement Plans For Small Businesses.