



RETIREMENT PLANNING

Simplified Employee Pension

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RETIREMENT PLANNING

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PLEASE NOTE

The Consolidated Appropriations Act, 2021 continues many temporary CARES Act provisions through 2021 to ease access to retirement funds, including:

- ◆ The exception to the 10% early withdrawal penalty for distributions prior to age 59½
- ◆ The elimination of the mandatory 20% withholding requirement on distributions
- ◆ The option to take out up to \$100,000 in a loan or withdrawal (if otherwise allowed under plan provisions)



RETIREMENT PLANNING

SIMPLIFIED EMPLOYEE PENSION

1. An eligible employer who wants an easy-to-administer retirement plan creates a simplified employee pension plan. The employee opens an IRA (or the employer opens one for the employee). The employer makes contributions to the employee's SEP-IRA.

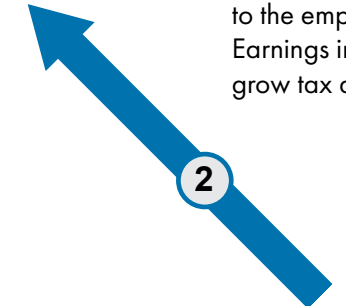


3. The employee may begin taking distributions from the plan at age 59½, and must begin taking distributions by age 72 or actual retirement, if later. Early distributions face a 10% penalty (with some exceptions). Distributions after age 72 face a 50% penalty on the amount that should have been distributed but was not.



Employee

2. Contributions are deductible by the employer (up to annual limits) and tax deferred to the employee. Earnings inside the plan grow tax deferred.



4. Distributions are taxed as ordinary income.

