

SIMPLE IRA Retirement Account (SRA) Program

Employer's Guide

Table of contents

- Determine your employer eligibility 4
- Establish your plan 5
- Operate your plan 6
 - Determine your employer contribution 6
 - Review your employer eligibility..... 6
 - Notify employees eligible to participate 6
 - Gather salary-reduction agreements 7
 - Withhold salary-reduction contributions 7
 - Make your employer contribution 7
 - Annual notice requirement 8
 - Additional information 8
 - FAQs/Sample employee letter 8

This guidebook provides the information you need as an employer to establish and operate your SIMPLE IRA Plan effectively.



Determine your employer eligibility



What is a SIMPLE?

A SIMPLE IRA plan (Savings Incentive Match Plan for Employees) allows employees and employers to contribute to traditional IRAs set up for employees. It is appropriate as a start-up retirement savings plan for small employers not currently sponsoring a retirement plan.

The following is a brief overview of requirements you must meet to establish and maintain a SIMPLE IRA for your business. Generally, employers may have no more than 100 employees who received at least \$5,000 of compensation in the previous calendar year. If this eligibility requirement is not satisfied during any calendar year, you are generally permitted to maintain the plan for an additional two years following that calendar year. (In the event of an acquisition, disposition or similar transaction, special rules apply.)

In addition, you will not be eligible to maintain a SIMPLE plan if any contributions (employer or employee) were made to or benefits were accrued under any other qualified plan during the calendar year in which the SIMPLE plan will be in effect.

Because the laws, regulations and provisions governing these plans are complex, we recommend that you consult your tax advisor to ensure that you have properly established and are properly maintaining your SIMPLE plan.

Additional information regarding SIMPLE IRA plans can be found at [irs.gov](https://www.irs.gov) and in IRS Publication 560, Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans).

Establish your plan

Use this checklist to set up your SIMPLE IRA plan (employer).

Create the SIMPLE IRA plan for your business

1) Review the following documents and keep for your records

- ☐ [Employer's Guide](#)
- ☐ [SIMPLE Retirement Account Summary Description](#)
- ☐ [SIMPLE IRA Plan Program](#)

2) Complete the following and return to Merrill; save a copy for your records

- ☐ [Employer Adoption Agreement](#)
- ☐ [SIMPLE IRA Account Application](#)
 - If you plan to open your SIMPLE IRA account with Merrill directly: Complete and return pages 1–8 of the Merrill SIMPLE IRA Account Application booklet available at [MerrillEdge.com](#)
 - If you plan to open your SIMPLE IRA account with a Merrill Advisor: Client Relationship Agreement

3) Enroll your employees and yourself under the plan:

- a) Complete the Employer portion of the [Employer notice and salary-reduction agreement](#)
- b) Print and distribute these documents to all eligible employees:
 - ☐ Completed [Employer notice and salary-reduction agreement](#)
 - ☐ [SIMPLE IRA Account Application](#)
 - ☐ [SIMPLE Retirement Account Summary Description](#)—add name of employer and address to the last page before providing to your employees
- c) Direct employees to complete their [SIMPLE IRA Account Application](#) and send to Merrill. Employees must complete the following:
 - ☐ Employer information
 - ☐ Name and address disclosure
 - ☐ Individual customer information
 - ☐ Beneficiary information
 - ☐ Tax certification and acknowledgment
- d) Direct employees to complete and return their [Employer notice and salary-reduction agreement](#) to you, their employer.

Important notes:

- Individual accounts within the SIMPLE IRA Plan are not required to use Merrill custodial services.
- If individuals elect to use another brokerage firm, they will need to open the account independently and you need only provide the [SIMPLE Retirement Account Summary Description](#) and [Employer notice and salary-reduction agreement](#).
- The employee must complete page 4 of the [Employer notice and salary-reduction agreement](#) form if selecting an outside financial institution (Employee Selection of Financial Institution Form) and return it to you for your records.

Make employee pretax salary deferrals and employer contributions

Enroll your plan in the free Merrill Lynch E-Contribs for Small Business Retirement Accounts service in order to make easy contributions to individual SIMPLE IRA accounts. See "[Merrill Lynch E-Contribs for Small Business Retirement Accounts](#)" for more information.

To enroll, go to [econtribs.ml.com](#) or call the Merrill Lynch E-Contribs Site Administrator at 888.MER.TRIB (888.637.8742).

Be sure to have the following information available when enrolling:

- ☐ Employer name and address
- ☐ Contact name, phone number and email address
- ☐ Alternate contact name, phone number and email address
- ☐ Tax ID Number (TIN)

Operate your plan

The diagram on page 3 illustrates the steps you should take to operate your SIMPLE IRA plan, and the following overview discusses each step in further detail.

Operating your plan is a continuing process. As your circumstances and objectives change, you may need to make certain adjustments. Additionally, because the laws, regulations and provisions governing your SIMPLE IRA are complex and subject to change, we recommend that you consult your tax advisor to ensure that you are operating your plan in accordance with applicable requirements.

Determine your employer contribution

As the employer, you are required to make a contribution to the SIMPLE IRA each plan year. You can contribute a dollar-for-dollar match for each plan participant's salary reduction contribution in an amount:

- Up to 3% of his or her compensation (for each plan year); or
- Up to—but not including—3%, and not less than 1% of his or her compensation in any two years during the five-year period ending with the current plan year

Alternatively, you are permitted to “elect out” of the match and instead make a nonelective contribution equal to 2% (optionally up to 10%) of the eligible participant's compensation—whether or not he or she made any salary-reduction contributions to the plan.

If you “elect out” of the 3% matching contribution and make one of the other permissible employer contributions, you must notify each eligible employee of your decision in the annual notice to eligible employees. See the section titled “Notify employees eligible to participate.”

Review your employer eligibility

It is important for you to review your employer eligibility requirements annually because certain events may affect your status as an eligible employer, such as adding or losing employees, increasing the compensation paid to employees or participating in a merger, acquisition or dissolution.

Notify employees eligible to participate

You must notify participants of their ability to make or modify salary-reduction contributions under the SIMPLE IRA plan immediately preceding the annual election period.¹ The annual

election period is the 60-day period immediately before the beginning of a plan year. For an employee who becomes eligible during the plan year, you may specify an “election period” that is a 60-day period which either starts the first day the employee becomes eligible or the day prior.

If you elect out of the 3% matching contribution, employees must be notified within a reasonable time frame before the annual election period of the plan year in which the alternative employer contribution will be instituted.

Review your **SIMPLE IRA plan Adoption Agreement** to determine which employees are eligible to participate in the plan. For example, if you require that employees must earn at least \$5,000 in compensation in any one of two prior calendar years, participants satisfying the \$5,000 requirement in a certain year may not be eligible to participate in the plan until January 1 of the next plan year.

Inform your employees of the SIMPLE plan by providing them with the employee letter (go.ml.com/letter), which describes the advantages of saving for their retirement.

Eligible employees should be sent the following documents immediately before the appropriate election period:²

- **Client Relationship Agreement or SIMPLE IRA Application**—required for participants who open accounts. Contact your Merrill advisor or Merrill Edge for more information.
- The completed **SIMPLE Retirement Account Program Employer Notice**—or your own form notifying eligible employees to participate and the contribution to be made by the employer. You should keep a copy of the notice for your records.
- The most recent copy of the **Merrill SIMPLE Retirement Account Summary Description**.
- A copy of the **SIMPLE Retirement Account Program Salary-reduction agreement** or your own salary reduction agreement form.

If Merrill is acting as the custodian for new participants' SIMPLE IRA accounts, participants will also receive a copy of the **SIMPLE Custodial Agreement brochure** containing the **Merrill SIMPLE Retirement Account Disclosure Statement** and **Custodial Agreement** when they open their accounts with Merrill.

Gather salary-reduction agreements

During the 60-day election period, eligible employees will decide whether or not to make salary-reduction contributions under the SIMPLE Retirement Account (SRA) Program. To ease the election process, Merrill provides the SRA Program salary-reduction agreement. Employees may elect to have their salary-reduction contributions range from 1% to 100% of their compensation.³ Salary reduction contributions may not be made retroactively.

During the annual election period (or a new participant's election period), you should gather the salary-reduction agreements from each employee electing to make a contribution for the plan year. Make sure each agreement has been properly completed and signed by the employee.

Withhold salary-reduction contributions

Salary-reduction contributions are based on salary earned from the effective date of the salary-reduction agreement and thereafter. Salary-reduction contributions cannot be based on compensation earned prior to the effective date. You are required to withhold salary-reduction contributions and deposit them in each participant's SRA. If any employee has not yet established an SRA, you are required to establish one for that person. Contributions must be sent for deposit no later than 30 days after the last day of the month in which the contributions were made.

This employer's administration guide is an important tool in operating your SRA program. However, we recommend that you consult your tax advisor about matters specific to your plan.

Make your employer contribution

You are required to make an employer-matching or nonelective contribution prior to your business's tax-filing deadline, including extensions. Your employer contribution reflects the election you made at the beginning of the plan year. Refer to your [SIMPLE Retirement Account Program Employer Notice](#) sent to eligible employees before the election period.

As previously stated, you must make one of the following:

- A dollar-for-dollar match for each participant's salary-reduction contribution for the plan year, up to 3% of his or her compensation
- A matching contribution — of less than 3%, but not less than 1% — of each participant's compensation in any two years during the five-year period (ending with the current plan year)

If you elected to make the 2% (optionally up to 10%) nonelective contribution, your contribution should be based on each participant's compensation up to an amount set by the IRS.⁴ This means that the maximum nonelective contribution for any participant would be \$16,000 for 2024.

Submit your plan contributions

You must also send Merrill the Merrill SEP/SRA/BASIC Contribution Ticket, which lists the amount of each participant's salary-reduction contribution and his or her SRA account number. Once contributions have been made, the trustee, custodian or issuer of each participant's SIMPLE IRA account will process all investment directions and distribution instructions, as well as completing the required tax reporting in connection with the participant's account.

Alternatively, consider enrolling your SIMPLE IRA plan in the E-Contribs Service to make contributions via the internet at econtribs.ml.com. To enroll into the E-Contribs Service, please call 888.637.8742. For more information, see the FAQs on [page 8](#).

Annual notice requirement

The SIMPLE retirement plan annual 60-day election period runs from November 2 through December 31. Prior to November 2, plan sponsors are required to notify employees of their ability to begin making, or modify existing, salary-reduction contributions under the plan. Merrill will provide you with the information to make this notification prior to the annual notice period.

Additional information

For more information regarding the operation of your SIMPLE IRA plan, the IRS provides helpful resources, including a SIMPLE IRA Plan checklist and a SIMPLE IRA Plan Fix-It Guide. See irs.gov/retirement-plans/plan-sponsor/simple-ira-plan.

FAQs

What do I do if I have more than 100 employees who earned at least \$5,000 in compensation for the prior year?

Businesses with more than 100 employees (including full-time, part-time and seasonal employees) with individual earnings of at least \$5,000 yearly can't establish a SIMPLE IRA plan.

Can I sponsor another retirement plan for my employees such as a 401(k)?

A business with a SIMPLE IRA plan generally can't sponsor any other retirement plan, such as a 401(k) plan. In order to do so, the plan sponsor would need to terminate the SIMPLE IRA plan.

Other than the first year you set up your plan, SIMPLE IRA plans must be maintained for a whole calendar year. Once started, you must continue your SIMPLE IRA plan for the entire calendar year, funding all contributions promised in the employee notice.

With the passage of SECURE 2.0, effective January 2024, SIMPLE plans may terminate mid-year if a safe harbor 401(k) plan is adopted in its place.

To terminate a SIMPLE IRA plan, notify Merrill that you will not make a contribution for the next calendar year and that you want to terminate the contract or agreement. You must also notify your employees that the SIMPLE IRA plan will be discontinued. You should consult with your tax and legal counsel regarding your SIMPLE plan termination and the potential adoption of a safe harbor 401(k). You do not need to give any notice to the IRS that the SIMPLE IRA plan has been terminated. For additional information, see *Terminating a SIMPLE* at irs.gov.

When am I required to deposit employee elective deferrals?

You must deposit each employee's deferrals in the IRA as soon as possible, but no later than 30 days following the month in which the employee would have otherwise received the money.


Enroll in the Merrill Lynch E-Contribs service to facilitate the deposits. Merrill Lynch E-Contribs for Small Business Retirement Accounts™, also known as E-Contribs, is a web-based service that allows small business plan sponsors enrolled in the service to make contributions to their plan accounts online. There is no charge for this service. E-Contribs can be used for debits from a plan sponsor's Merrill account or from accounts at up to seven different financial institutions.

Am I required to make contributions to terminated participants who were eligible during the plan year?

Yes. A SIMPLE IRA plan can't require employment on a particular day, such as the last day of the year, to receive employer contributions.

Sample employee letter

For your convenience, [you can use our sample letter](#) to outline your new retirement benefit for your employees.



Dear [Employee First Last Name]:

Did you know that you could spend as many years in retirement as you will working? And Social Security might not provide nearly enough for you to live on. No matter what your age, if you plan to retire, you need to start saving today.

We're pleased to announce a retirement benefit that will help you save for the future: the Savings Incentive Match Plan for Employees (SIMPLE) plan. Saving for retirement is easy through your [Company Name]-sponsored SIMPLE plan. This plan provides a convenient, tax-saving way to help build the funds you'll need for your retirement years.

Lower your taxes today
If you elect to defer a portion of your salary under the SIMPLE plan, the money you save is taken out of your paycheck before your federal income taxes are calculated. Your contributions are then invested tax-deferred in your own SIMPLE Retirement Account (SRA) and have the potential to grow tax-deferred until you withdraw the assets.¹

Get paid to save
Under the SIMPLE program, [Company Name] will also make annual contributions to your SRA. These contributions are in addition to your regular salary. Over the years of your employment, the impact of these additional contributions can be substantial.

Start today
Another way to accumulate more savings is to start early. For example, let's say you joined the SIMPLE plan at age 45, established a diversified investment portfolio within your SRA, earned 6% a year compounded monthly and contributed \$200 a month. By the time you reached age 65, your savings could have been worth almost \$91,000.² However, if you started contributing at age 25, by age 65 you would have had almost \$382,000² —and that's not even counting employer contributions!

Compare the two scenarios³

	SIMPLE IRA monthly deferrals	Total contributions at age 65	Earnings and growth at age 65	Potential balance at age 65
Start now (age 25) (contribute 5%)	\$200	\$96,000	\$286,000	\$382,000
Start at (age 45) (contribute 5%)	\$200	\$48,000	\$43,000	\$91,000

(continued on next page)

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BoA Corp"). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC, and a wholly owned subsidiary of BoA Corp.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
----------------------	-------------------------	----------------

Bank of America, Merrill, and its affiliates do not monitor or maintain the information available on the external websites mentioned nor represent or guarantee that such websites are accurate or complete, and they should not be relied upon as such.

Merrill, its affiliates and financial advisors do not provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

¹ If an employee leaves your employment to serve in the military, you may have an obligation to provide the employee with the right to make and receive contributions to the plan upon his or her re-employment. See Section VIII of the Merrill Lynch SIMPLE Retirement Account Summary Description for an explanation of such rights and consult your tax advisor for more details.

² Information to make this notification will be provided to you prior to the notice period.

³ Visit [irs.gov](https://www.irs.gov) for current salary deferral contribution limits.

⁴ For more information, please consult IRS Publication 560, Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans) available at [irs.gov](https://www.irs.gov).

For plan sponsor use only. Not for distribution to the general public.

© 2023 Bank of America Corporation. All rights reserved. | SHEET-11-23-0028 | 205225PM | 11/2023