

# Retirement Planning



## SEP-IRA PLANS

You can reduce your current income tax bill and provide yourself and your employees valuable retirement benefits with a Simplified Employee Pension (SEP), a simple retirement plan for businesses and self-employed individuals.

### Advantages for the employer

- Contributions are a tax-deductible business expense
- No fees for plan administration
- No employer fiduciary liability for investment decisions
- Annual contributions are optional
- Easy to establish and maintain
- Helps business owners attract and retain quality employees

### Advantages for your employees

- Earnings grow tax deferred – employees do not pay taxes until they make a withdrawal
- Retirement benefits are immediately 100 percent vested
- Employer contributions to the SEP are not included in the employee's income for income tax and Social Security tax purposes
- Assets in the account are paid to the beneficiary if the employee dies

### Plan Establishment

SEPs may be established by any employer, including sole proprietorships, partnerships, corporations, non-profit organizations, or government entities. To establish a SEP plan, IRS form 5305-SEP or an individually designed plan agreement must be completed and each eligible employee must have an IRA to accept the contribution. The deadline for establishing a SEP plan is the employer's tax filing due date, including extensions.

*(continued on back)*

*Your representative can explain how Mutual of Omaha's wide range of investment options can help you get the most from your SEP plan.*

### Employee participation in a SEP

You may exclude employees from participating in a SEP plan if they:

- Have not worked for the business during 3 of the last 5 years
- Earn less than \$550 (2011 indexed amount)
- Are not age 21
- Are covered by a collective bargaining agreement
- Are non-resident aliens

### Contribution Limits/Allocations

Employers may contribute 25 percent of the employee's compensation up to \$49,000 (2011 indexed amount) to each employee's SEP-IRA. Self-employed individuals will generally be limited to a maximum contribution of 20 percent of net self-employment income. Consult a tax advisor regarding individual circumstances.

EXAMPLE
<b>John Q. Public, Age 45</b>
<b>OCCUPATION</b>
Self-employed independent contractor
<b>GOALS</b>
To set up a low-cost retirement program; to save for retirement and receive a tax deduction
<b>ANNUAL COMPENSATION</b>
\$100,000
<b>SEP CONTRIBUTION (20% OF COMPENSATION)</b>
\$20,000
<b>RESULTING TAX SAVINGS*</b>
\$6,000

\* Assumes a 30 percent marginal income tax rate

MUTUAL of OMAHA  
Mutual of Omaha Plaza  
Omaha, Nebraska 68175  
[mutualofomaha.com](http://mutualofomaha.com)

Mutual funds and variable products distributed by:  
Mutual of Omaha Investor Services, Inc.  
Mutual of Omaha Plaza  
Omaha, Nebraska 68175-1020

Member FINRA/SIPC

### Withdrawals

Employees can take withdrawals from their SEP-IRA at any time, which are subject to ordinary income taxes. Internal Revenue Service (IRS) penalties may apply if you take withdrawals before age 59½ or if you don't begin required minimum distributions at age 70½.

### Age 59½ penalty exceptions

The IRS does provide exceptions to the 10 percent penalty tax, including:

- Rollovers to another IRA within 60 days of receipt
- Distributions upon death or permanent disability
- Substantially equal periodic payments over the IRA owner's life expectancy
- Up to \$10,000 for a first-time home purchase
- Higher education expenses for the IRA owner or certain family members
- Medical expenses that exceed 7.5 percent of the IRA owner's adjusted gross income

***Now, more than ever, it is important to begin planning for your retirement.***