

### What is an IRA?

IRA stands for Individual Retirement Arrangement. An IRA is a taxed deferred vehicle used to set aside assets for retirement.

### What is the difference between a Roth IRA and a Traditional IRA?

One of the key differences between these types of IRAs is that in some cases contributions to Traditional IRAs can be deducted from your taxable income while this is never true for Roth IRAs. Another key difference is that distributions of deductible contributions from a Traditional IRA are taxed as income while qualified distributions from a Roth IRA are not taxed. For additional information regarding the differences between Traditional IRAs and Roth IRAs, please reference IRS Publication 590.

### Can I have both a Roth IRA and a Traditional IRA?

Yes. However the combined amount contributed to both types of accounts must not exceed that year's contribution limits. Please see below for more information on these two types of IRAs.

### How much can I contribute to my IRA?

The amount that can be contributed to your IRA is based upon IRS annual contribution limits. For Roth and Traditional, typically it is the smaller of the two amounts: \$6,500 (or \$7,500, if you are age 50 or older), or 100% of your taxable compensation for the year.

## Traditional IRAs

### Who is eligible for a Traditional IRA?

You are eligible to make contributions to a Traditional IRA if you (or, if you file a joint return, your spouse) received taxable compensation during the year.

### Are contributions tax deductible?

Your contributions to a Traditional IRA may be deductible based on your modified Adjusted Gross Income ("AGI"), your age, and whether you and/or your spouse are covered by employer sponsored plans. For questions regarding tax treatment of IRA contributions please consult IRS Publication 590 and your tax advisor.

### When can I take money out of my Traditional IRA?

You can withdraw money from your IRA at any time. However any money you withdraw from a Traditional IRA before the age of 59½ may be subject to a 10% IRS penalty (in addition to taxes) unless it is being used for certain purposes.

### Am I required to take money out of my IRA?

You are required to take a "Required Minimum Distribution" ("RMD") from your IRA when you reach age 72 (73 if you reach age 72 after December 31, 2022).

### Can I convert my Traditional IRA to a Roth IRA?

Yes. You can convert your Traditional IRA into a Roth IRA. You will be required to pay income taxes on the amount being converted in the year the assets are distributed from the Traditional IRA. Paperwork to convert your Traditional IRA to a BlackRock Roth IRA can be found in the Combined IRA Kit. Please consult with your tax advisor for additional information.

## Roth IRAs

### Who is eligible for a Roth IRA?

The IRS guidelines define who is eligible to contribute to a Roth IRA based on your modified Adjusted Gross Income and tax filing status. Please consult IRS Publication 590 for the most up to date income eligibility requirements.

### Are contributions tax deductible?

Your contributions to a Roth IRA would not be deductible. For questions regarding tax treatment of IRA contributions please consult IRS Publication 590 and your tax advisor.

### What If I earned more than expected this year and no longer qualify for a Roth IRA but already made a contribution for this year?

If you make a contribution to a Roth IRA, and then discover that your income will exceed the maximum allowed to contribute to a Roth IRA the amount contributed for that year can be re-characterized as a contribution for a Traditional IRA. If you elect to re-characterize a contribution, you must do so by your tax return due date (including extension).

### Am I required to take money out of my IRA?

No, you are not required to take money out of a Roth IRA.

### When can I take money out of my Roth IRA?

Roth contribution amounts can be withdrawn at any time, however, any money exceeding the amount made in contributions withdrawn from a Roth IRA prior to the age of 59½ may be subject to a 10% IRS penalty. Reasons for the penalty exemption can be found in the IRS publication 590.

### Additional Forms for your IRA:

To take distributions from your BlackRock IRA, you will need the IRA Distribution Form. To transfer assets from another custodian to BlackRock, use the IRA Transfer of Assets/Direct Rollover Form. To convert Traditional IRA assets to a Roth IRA, use the Roth Conversion Form. To certify a rollover distribution from another IRA within 60 days of distribution, use the Rollover Certification Form.

### Where can I learn more about IRAs?

The Custodial Agreement and Disclosure Statement have additional information about your BlackRock IRA. IRS Publication 590, available at [www.irs.gov/retirement](http://www.irs.gov/retirement) or by calling the IRS, outlines the rules governing IRAs.

### SEP IRAs

### SIMPLE IRAs

#### What is a SEP IRA?

A SEP (Simplified Employee Pension) is a written arrangement that allows small business owners to make deductible contributions for their own and their employee's benefit to a Traditional IRA.

A SEP-IRA is owned and controlled *by the employee*, and the employer makes contributions to the financial institution where the SEP-IRA is maintained.

#### Who is eligible for a SEP IRA?

For information on if you are eligible to setup a SEP plan for your employees or to obtain form IRS Form 5305-SEP please consult the IRS website [www.irs.gov/retirement](http://www.irs.gov/retirement).

#### How much can an employer contribute to an employee's SEP IRA?

The amount that can be contributed to a SEP IRA is based upon IRS annual contribution limits. The most that can be contributed to a SEP IRA is the smaller of the annual dollar limitation or 25% of the employee's compensation for year 2022.

#### Can an individual make their own IRA contributions or transfer their Traditional IRA into their SEP IRA?

Yes. An employer's contributions to the SEP IRA would be designated as "employer" or "employee". An individual may transfer their existing Traditional IRA into their SEP IRA as well.

#### Are contributions tax-deductible?

Your contributions to a SEP IRA may be deductible based on your modified Adjusted Gross Income ("AGI"), your age, and whether you and/or your spouse are covered by employer sponsored plans. Employers may be able to deduct the contributions they make on behalf of their employees. A tax advisor should be consulted for additional information.

#### Where can I learn more about these IRAs?

The Custodial Agreement and Disclosure Statement have additional information about your BlackRock IRA. IRS Publication 560, available at [www.irs.gov/retirement](http://www.irs.gov/retirement) or by calling the IRS, outlines the rules governing IRAs.

**Please Note:** IRS Publication 560 and the "General Instructions" pages of IRS Form 5305-SIMPLE and IRS Form 5305-SEP provide more details regarding the following topics, and should be referenced for the most up-to-date information. This information is available at [www.irs.gov/retirement](http://www.irs.gov/retirement) or by contacting the IRS.

#### What is a SIMPLE IRA?

A SIMPLE (Savings Incentive Match Plan for Employees of Small Employers) IRA Plan is a retirement arrangement designed for small businesses that establish individual accounts for each participating employee where both employer contributions and employee salary reduction contributions can grow tax-deferred for retirement.

Employees expected to receive at least \$5000 in compensation for the calendar year and who have received at least \$5000 in 2 prior calendar years and not covered by a collective bargaining agreement are to be considered eligible. Employers may relax those eligibility requirements and may even include all employees regardless of their earnings.

#### Who is eligible to setup a SIMPLE IRA Plan for employees?

Generally employers who had fewer than 100 employees receiving \$5000 or more in compensation in the preceding year and do not maintain another qualified plan are eligible to establish a SIMPLE IRA Plan. Please refer to the IRS guidelines for a more detailed explanation.

#### How much can be contributed to a SIMPLE IRA?

For 2023, the maximum that can be contributed via an employee's salary deduction is \$15,500. For eligible employees over age 50 by the end of the calendar year, the above limitation is increased by \$3,500 to \$19,000.

#### Are contributions tax-deductible?

Employers may be able to deduct the contributions they make on behalf of their employees. A tax advisor should be consulted for additional information.

#### How much am I required to contribute to my employees' SIMPLE IRAs?

As stated in the IRS Publication 560, Employers are required to match employee salary reduction contributions on a dollar for dollar basis up to 3% of each participant's salary or to contribute a non-elective contribution to all employees SIMPLE IRAs regardless of whether an employee is making salary reduction contributions.

#### What obligations do employers participating in a SIMPLE IRA Plan have to their employees?

Employers who have adopted a SIMPLE IRA plan for their employees must notify their employees of the information detailed below before the beginning of each election period. (Election periods are generally the 60 day period preceding January 1<sup>st</sup>, but can vary depending on when the plan was established, how long the election period is, and how often election periods occur).

#### INSTRUCTIONS FOR COMPLETING THIS FORM

The purpose of this Kit is to help employers and their Financial Advisors establish a SIMPLE IRA Plan held directly at BlackRock. You can use this application to establish the plan, then each employee would use BlackRock's SIMPLE IRA Employee Kit to open their own accounts under the employer's Plan. More details on establishing a SIMPLE IRA and rules governing SIMPLE IRAs can be found at [www.irs.gov/retirement](http://www.irs.gov/retirement) by searching "SIMPLE IRA".

The following instructions will help you to establish these accounts, however if you have any questions we encourage you to call us for assistance.

#### To Establish a SIMPLE IRA Plan:

**Choose a Financial Institution:** You need to choose a financial institution to serve as trustee of the SIMPLE IRAs for your participating employees. As the employer, you can elect to allow only one designated financial institution, or allow your employees to decide which financial institution will receive their contributions.

- Use Form 5304-SIMPLE, which allows each plan participant to select their own financial institution (with this option, most employees use the same institution, mainly for ease of use, convenience, etc.). BlackRock provides a Form 5304-SIMPLE in this Kit for your convenience.

#### Provide written agreements and notice to employees

- Execute a written agreement to all eligible employees explaining the benefits of the SIMPLE IRA Plan.
- Provide these employees certain information about the agreement.
- Have each employee establish their SIMPLE IRA account at the financial institution.

#### Communications with participating employees

There are standard communications required that the employer must provide to their employees, samples of each are included in this kit:

- Initial Notice of Opportunity, alerting eligible employees that they may begin making Salary Reduction Contributions to the SIMPLE Plan.
- A Notice of Employer Contributions, which provides and confirms certain information about contributions.
- An Administrative Procedures notice that informs participating employees of the deadline for making changes to their Salary Reduction Agreement.

#### Documentation Included in this Kit:

- ▶ **BlackRock SIMPLE IRA: Employer Kit** – this document should be filled out and completed by your employer prior to you submitting your application.
- ▶ **IRS Form 5304-SIMPLE** – this document should be filled out and completed by your employer prior to you submitting your application.
- ▶ Frequently Asked Questions
- ▶ Employer Setup Sheet
- ▶ Sample Notifications to Employees and Sample Summary Plan Description
- ▶ Employer Contribution Transmittal Form

**Please Note:** Once the SIMPLE Plan is established at BlackRock, a Group ID number will be provided to link all participant accounts to the plan.

Each participant should submit the BlackRock SIMPLE IRA Employee Application to establish their own account within the plan (there is a space provided on the participant's application to indicate the company name & Group ID) for the plan.

Use this form to tell us about your company, provide contact points in the event we need to reach out to you with any questions, and tell us how you would like to fund your employees' accounts.

- ▶ Employers should work with their financial professional to determine if a SIMPLE IRA Plan is right for them.
- ▶ Include this sheet along with the IRS Form 5304-SIMPLE or 5305-SIMPLE to establish a SIMPLE Plan at BlackRock.

Send this application, along with any other required documents, to:

▶ **Regular mail:**

BlackRock Funds  
PO Box 534429  
Pittsburgh PA  
15253-4429

▶ **Overnight mail:**

BlackRock Funds  
Attention: 534429  
500 Ross Street 154-0520  
Pittsburgh, PA 15262

**Fax:** 844-569-5573



**Questions?** Call us at **1-800-441-7762**, Monday through Friday between 8:00 AM and 6:00 PM ET or visit us online at [www.blackrock.com](http://www.blackrock.com).

Please tell us about your company by completing the section below. Make sure to provide points of contact in the event we need to reach out to you with any questions.

\_\_\_\_\_  
Name of Employer

\_\_\_\_\_  
Full name of person completing this form

\_\_\_\_\_  
Contact telephone number

\_\_\_\_\_  
Extension

\_\_\_\_\_  
Additional Contact Name

\_\_\_\_\_  
Contact telephone number

\_\_\_\_\_  
Extension

\_\_\_\_\_  
P.O Box/ Street #

\_\_\_\_\_  
Street name

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
ZIP Code

Check here to use this as the address on your account

Estimated number of employees opening an account in this **SIMPLE IRA Plan** at BlackRock: \_\_\_\_\_.

**We intend on funding our employees' SIMPLE IRAs using the follow method (check one):**

**By Check**

- ▶ Make the check payable to "BlackRock" or "BlackRock Funds".
- ▶ Include the Employer Contribution Transmittal Form to tell BlackRock how much each employee should receive as Employer Contribution vs. Salary Deferral.

**By Lump Sum Wire or ACH**

- ▶ Send the total contribution amount using these instructions:

Bank of New York Mellon ABA #: 011001234

DDA Number: 0000735345

Account Registration: (Company name and "SIMPLE IRA")

Account #: (Company Code – provided by BlackRock)

**By Direct Deposit**

- ▶ You may use the bank information below to send the money to BlackRock via Direct Deposit:

Bank of New York Mellon ABA #: 011001234

Account #: 867XXXXXXXXXX9999

Account Registration: (Account Owner & Beneficiary)

(Account # set up: MUST be 17 digits. First three = BlackRock indicator; next ten = 0 + the participant's Social Security number; last four = all 9's, to indicate asset allocation requirement).

# SIMPLE IRA Sample Notification to Eligible Employees

The following are samples of three notifications from the employer to employees, along with the Summary Plan Description.

Dear employee,

As your employer, we are providing you with the following notices regarding the company's SIMPLE IRA Plan.

## 1. Notice of Opportunity

You are eligible to begin making Salary Reduction Contributions to the \_\_\_\_\_ (insert name of employer) SIMPLE Plan. You are also eligible to modify the amount of any Salary Reduction Contributions you previously elected (if any). This notice and the attached Summary Plan Description provide you with information that you should consider before you decide to start, continue, or change your salary reduction agreement.

## 2. Notice of Employer Contributions

For the calendar year 20\_\_\_\_, \_\_\_\_\_ (insert name of employer) has elected to contribute to your SIMPLE IRA: Employer should select only one:

- A Matching Contribution that is equal to your Salary Reduction Contributions up to 3% of your Compensation for the year.
- A Matching Contribution that is equal to your Salary Reduction Contributions up to % of your Compensation for the year (Employer should insert a number that is less than 3 but no less than 1; Employer should understand that the selection of this option is restricted by the IRS).
- A Non-elective Contribution equal to 2% of your Compensation for the year if you are an Employee who makes at \$ \_\_\_\_\_ in Compensation for the year (Employer should insert the dollar figure which corresponds to the amount selected under the SIMPLE Plan Adoption Agreement, but not more than \$5,000). The amount of your Compensation which may be taken into account for purposes of calculating this Non-elective Contribution is limited to \$230,000 for 2015 (the IRS periodically adjusts this amount to reflect cost-of-living changes).

## 3. Administrative Procedures

If you decide to begin or modify your Salary Reduction Contributions, you must complete a Salary Reduction Agreement and return it to your employer on or before \_\_\_\_\_ (Employer should insert a date that is not less than 60 days after notice is given to your employee).

# SIMPLE IRA Sample Summary Plan Description

## Employee Selection of Financial Institution

### Employee Selection of Financial Institution

You must select the financial institution that will serve as the custodian, trustee or issuer of your SIMPLE IRA and notify your employer of your selection.

Your employer has adopted a SIMPLE Plan to provide you with a tax-favored means to accumulate savings for retirement by means of salary reduction contributions made by you and either matching or non-elective contributions made by your employer. Your contributions, and those made to the SIMPLE on your behalf by your employer are paid to the financial institution selected by you, which serves as the custodian of the SIMPLE Individual Retirement Account (IRA) that you have established.

Contributions to the SIMPLE and earnings on those contributions are not subject to federal income tax until they are distributed or withdrawn by you. Your salary reduction contributions are, however, subject to Social Security, Medicare, railroad retirement, and federal unemployment taxes.

This Summary Plan Description and the copy of your employer's Adoption Agreement provided by your employer are intended to provide you with a summary of your SIMPLE. This Summary Description must be provided to you each year immediately prior to the employee 60-day election period, along with certain notices from your employer.

This Summary Plan Description is for a SIMPLE invested in BlackRock Funds. Their address, and the custodian's name and address are:

▶ **Regular mail:**

BlackRock Funds  
PO Box 534429  
Pittsburgh PA  
15253-4429

▶ **Overnight mail:**

BlackRock Funds  
Attention: 534429  
500 Ross Street 154-0520  
Pittsburgh, PA 15262

## Withdrawals, Rollovers, and Transfers

An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over to or transferred directly to another IRA on a tax-free basis designed solely to hold funds under a SIMPLE Plan. In addition, you may roll over or transfer your SIMPLE IRA balance to any IRA on a tax-free basis after a 2-year period has expired since you first participated in the SIMPLE Plan. Any rollover or transfer must comply with the requirements under Section 408 of the Internal Revenue Code.

If you withdraw an amount from a SIMPLE IRA during the 2-year period beginning when you first participated in a SIMPLE Plan and the amount is subject to the additional tax on early distributions under Section 72(t) of the Internal Revenue Code, this additional tax is increased from 10% to 25%.

To take a withdrawal from your SIMPLE IRA with BlackRock Funds, please complete an IRA Distribution Request Form, available online at [www.blackrock.com](http://www.blackrock.com) or by calling BlackRock at 1-800-441-7762.



**Questions?** Call us at **1-800-441-7762**, Monday through Friday between 8:00 AM and 6:00 PM ET or visit us online at [www.blackrock.com](http://www.blackrock.com).

### Not FDIC Insured | May Lose Value | No Bank Guarantee

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**Lit. No. SIMPLE-EMPLOYER-0323**

# BlackRock®

**Employer:** You can use this form when sending contributions and/or salary deferrals to your employees' SIMPLE IRA accounts at BlackRock.

**Please note:** If an account is not yet established for an employee, a BlackRock SIMPLE IRA Application must be supplied to establish the account *before* any contributions may be made to it.

Send this completed form, along with any check contributions payable to "BlackRock Funds to:

▶ **Regular mail:**


BlackRock Funds  
PO Box 534429  
Pittsburgh PA  
15253-4429

▶ **Overnight mail:**

BlackRock Funds  
Attention: 534429  
500 Ross Street 154-0520  
Pittsburgh, PA 15262

**Fax: 844-565-5143**

**Email: [listbillreview@bnymellon.com](mailto:listbillreview@bnymellon.com)**

 **Questions?** Call us at **1-800-441-7762**, Monday through Friday between 8:00 AM and 6:00 PM ET or visit us online at [www.blackrock.com](http://www.blackrock.com).

### 1. Employer Information

Name of Employer	Plan number (if known)	Full name of person completing this form
P.O. Box/ Street #	Street name	Contact telephone number
City	State	ZIP Code
		Extension

Please indicate the method of contribution:

- Check (Payable to "BlackRock")
  Wire / Bulk ACH
  Direct Deposit\*

### 2. Investment Directions

Complete the following section with the employee's information and investment amounts. Include a copy for any additional employees. The investments will be allocated based on the employee's fund selection (made on their account application).

Name Of Employee	Social Security Number	Account Number (or "New")	Contribution Amount	
			Employer	Salary Deferral
1.			\$	\$
2.			\$	\$
3.			\$	\$
4.			\$	\$
5.			\$	\$
6.			\$	\$
<b>If only using the first page, please put total here:</b>			\$	\$
<b>If continuing to the next page, please put the total on the next page.</b>			\$	\$

\* For direct deposit, you only need to supply this form once, during the initial set up.

## 2. Investment Directions - continued

Name of Employee	Social Security Number	Account Number (or "New")	Contribution Amount	
			Employer	Salary Deferral
7.			\$	\$
8.			\$	\$
9.			\$	\$
10.			\$	\$
11.			\$	\$
12.			\$	\$
13.			\$	\$
14.			\$	\$
15.			\$	\$
16.			\$	\$
17.			\$	\$
18.			\$	\$
19.			\$	\$
20.			\$	\$
<b>Total Contribution for all employees on this list:</b>			\$	\$

## 3. Employer Information

Any new employees must have a completed BlackRock SIMPLE IRA account application prior to submitting contributions, unless the application accompanies this form. Reasonable efforts will be made to handle contributions for new employees submitting applications along with this form.

I hereby certify that the above employee information and contribution amounts have been reviewed and are correct.

I/we understand that BlackRock and their transfer agent, BNY Mellon Investment Servicing, will not be held liable for any incorrect information provided by us or for processing our request based on such information.

\_\_\_\_\_  
Signature of person completing this form

\_\_\_\_\_  
Date (Month/Day/Year)

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

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**BlackRock**

Lit. No. SIRA-TRANS-0323



**Savings Incentive Match Plan  
for Employees of Small Employers (SIMPLE)—Not  
for Use With a Designated Financial Institution**

\_\_\_\_\_ establishes the following SIMPLE

Name of Employer

IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

**Article I—Employee Eligibility Requirements** (complete applicable box(es) and blanks—see instructions)

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE IRA established by each employee who meets the following requirements (select either 1a or 1b):
- a**  **Full Eligibility.** All employees are eligible.
- b**  **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
- (i) Current compensation.** Employees who are reasonably expected to receive at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) for the calendar year.
- (ii) Prior compensation.** Employees who have received at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) during any \_\_\_\_\_ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
- 2 Excludable Employees.**
- The Employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** This box is deemed checked if the Employer maintains a qualified plan covering only such employees.

**Article II—Salary Reduction Agreements** (complete the box and blank, if applicable—see instructions)

- 1 Salary Reduction Election.** An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year.
- 2 Timing of Salary Reduction Elections**
- a** For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
- b** In addition to the election periods in 2a, eligible employees may make salary reduction elections or modify prior elections \_\_\_\_\_, \_\_\_\_\_. If the Employer chooses this option, insert a period or periods (for example, semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
- c** No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
- d** An employee may terminate a salary reduction election at any time during the calendar year.  If this box is checked, an employee who terminates a salary reduction election not in accordance with 2b may not resume salary reduction contributions during the calendar year.

**Article III—Contributions** (complete the blank, if applicable—see instructions)

- 1 Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 2a Matching Contributions**
- (i)** For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
- (ii)** The Employer may reduce the 3% limit for the calendar year in (i) only if:
- (1)** The limit is not reduced below 1%; **(2)** The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and **(3)** Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- b Nonelective Contributions**
- (i)** For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \$ \_\_\_\_\_, (not more than \$5,000) in compensation for the calendar year. No more than \$250,000\* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
- (ii)** For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
- (1)** Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
- (2)** This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- 3 Time and Manner of Contributions**
- a** The Employer will make the salary reduction contributions (described in 1 above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See instructions.
- b** The Employer will make the matching or nonelective contributions (described in 2a and 2b above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

\* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet website at [IRS.gov](http://IRS.gov).

**Article IV—Other Requirements and Provisions**

- 1 Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, item 1) and matching or nonelective contributions (described in Article III, items 2a and 2b).
- 2 Vesting Requirements.** All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
- 3 No Withdrawal Restrictions.** The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA or otherwise impose any withdrawal restrictions.
- 4 Selection of IRA Trustee.** The Employer must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the SIMPLE IRA to which the Employer will make all contributions on behalf of that employee.
- 5 Amendments To This SIMPLE IRA Plan.** This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
- 6 Effects Of Withdrawals and Rollovers**
  - a An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA or eligible retirement plan after a 2-year period has expired since the individual first participated in any SIMPLE IRA plan of the Employer. Any rollover or transfer must comply with the requirements under section 408.
  - b If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.

**Article V—Definitions**

- 1 Compensation**
  - a **General Definition of Compensation.** Compensation means the sum of the wages, tips, and other compensation from the Employer subject to federal income tax withholding (as described in section 6051(a)(3)), the amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, and the employee’s salary reduction contributions made under this plan, and, if applicable, elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract and compensation deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described in section 6051(a)(8)).
  - b **Compensation for Self-Employed Individuals.** For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 2 Employee.** Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
- 3 Eligible Employee.** An eligible employee means an employee who satisfies the conditions in Article I, item 1 and is not excluded under Article I, item 2.
- 4 SIMPLE IRA.** A SIMPLE IRA is an individual retirement account described in section 408(a), or an individual retirement annuity described in section 408(b), to which the only contributions that can be made are contributions under a SIMPLE IRA plan and rollovers or transfers from another SIMPLE IRA.

**Article VI—Procedures for Withdrawals** *(The Employer will provide each employee with the procedures for withdrawals of contributions received by the financial institution selected by that employee, and that financial institution’s name and address (by attaching that information or inserting it in the space below) unless: (1) that financial institution’s procedures are unavailable, or (2) that financial institution provides the procedures directly to the employee. See **Employee Notification** in the instructions.)*

**Article VII—Effective Date**

This SIMPLE IRA plan is effective \_\_\_\_\_ . See instructions.

\* \* \* \* \*

\_\_\_\_\_  
Name of Employer

\_\_\_\_\_  
Address of Employer

By: \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Name and title

## Model Notification to Eligible Employees

### I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the \_\_\_\_\_ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

### II. Employer Contribution Election

For the \_\_\_\_\_ calendar year, the Employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of \_\_\_\_\_% (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to compensation of \$250,000\*) if you are an employee who makes at least \$ \_\_\_\_\_ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

### III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to \_\_\_\_\_ (employer should designate a place or individual by \_\_\_\_\_ (*employer should insert a date that is not less than 60 days after notice is given*)).

### IV. Employee Selection of Financial Institution

You must select the financial institution that will serve as the trustee, custodian, or issuer of your SIMPLE IRA and notify your Employer of your selection.

## Model Salary Reduction Agreement

### I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of \_\_\_\_\_ (*name of employer*) I authorize \_\_\_\_\_ % or \$ \_\_\_\_\_ (which equals \_\_\_\_\_ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

### II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

### III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, \_\_\_\_\_. (*Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.*)

### IV. Employee Selection of Financial Institution

I select the following financial institution to serve as the trustee, custodian, or issuer of my SIMPLE IRA.

\_\_\_\_\_  
Name of financial institution

\_\_\_\_\_  
Address of financial institution

\_\_\_\_\_  
SIMPLE IRA account name and number

I understand that I must establish a SIMPLE IRA to receive any contributions made on my behalf under this SIMPLE IRA plan. If the information regarding my SIMPLE IRA is incomplete when I first submit my salary reduction agreement, I realize that it must be completed by the date contributions must be made under the SIMPLE IRA plan. If I fail to update my agreement to provide this information by that date, I understand that my Employer may select a financial institution for my SIMPLE IRA.

### V. Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my Employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of employee \_\_\_\_\_ Date \_\_\_\_\_

\* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at [IRS.gov](http://IRS.gov).

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Form 5304-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use to establish a SIMPLE IRA plan described in section 408(p), under which each eligible employee is permitted to select the financial institution for his or her SIMPLE IRA.

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are not intended to supersede any provision in the SIMPLE IRA plan.

Do not file Form 5304-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

**Note.** If you used the March 2002, August 2005, or September 2008 version of Form 5304-SIMPLE to establish a model Savings Incentive Match Plan, you are not required to use this version of the form.

### Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet both of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.

2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining is disregarded if these employees are excluded from

participating in the SIMPLE IRA plan. If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 and 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE IRA requirements. These are: (1) a controlled group of corporations under section 414(b); (2) a partnership or sole proprietorship under common control under section 414(c); or (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

### What Is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see *Employee Eligibility Requirements* below and *Contributions* later). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the financial institution selected by him or her.

### When To Use Form 5304-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

Do not use Form 5304-SIMPLE if:

1. You want to require that all SIMPLE IRA plan contributions initially go to a financial institution designated by you. That is, you do not want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5305-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use With a Designated Financial Institution;

2. You want employees who are nonresident aliens receiving no earned income from you that is income from sources within the United States to be eligible under this plan; or

3. You want to establish a SIMPLE 401(k) plan.

### Completing Form 5304-SIMPLE

Pages 1 and 2 of Form 5304-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all applicable boxes and blanks and it has been executed by you.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this plan.

### Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert "\$5,000" or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Article I, item 2. Under certain circumstances, these employees must be excluded. See *Which Employers May Establish and Maintain a SIMPLE IRA Plan?* above.

### Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, a salary reduction agreement permits an eligible employee to make a salary reduction election to have his or her compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of

the reduction in the employee's compensation cannot exceed the applicable amount for any calendar year. The applicable amount is \$11,500 for 2012. After 2012, the \$11,500 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older by the end of the calendar year, the above limitation is increased by \$2,500 for 2012. After 2012, the \$2,500 amount may be increased for cost-of-living adjustments.

### Timing of Salary Reduction Elections

For any calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the *Model Salary Reduction Agreement* on page 3 to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

### Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

#### Salary Reduction Contributions

As indicated in Article III, item 1, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the financial institution selected by each eligible employee.

### Matching Contributions

In general, you must contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. This matching contribution cannot exceed 3% of the employee's compensation. See *Definition of Compensation*, below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

**Note.** If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See *Timing of Salary Reduction Elections* above.

### Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$250,000\* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See *Timing of Salary Reduction Elections* above.

**Note.** Insert "\$5,000" in Article III, item 2b(i) to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

### Effective Date (Article VII)

Insert in Article VII the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

## Additional Information

### Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the financial institution selected by each eligible employee for his or her SIMPLE IRA no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations at 29 CFR 2510.3-102, salary reduction contributions must be made to each participant's SIMPLE IRA as of the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described previously.

### Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a)), and amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. For further information, see Pub. 15, (Circular E), Employer's Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

### Employee Notification

You must notify each eligible employee prior to the employee's 60-day election period described above that he or she can make or change salary reduction elections and select the financial institution that will serve as the trustee, custodian, or

\*This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's website at [IRS.gov](http://IRS.gov).

issuer of the employee's SIMPLE IRA. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees' salary reduction contributions up to a limit of 3% of their compensation;
2. A matching contribution equal to your employees' salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or
3. A nonelective contribution equal to 2% of your employees' compensation.

You can use the *Model Notification to Eligible Employees* earlier to satisfy these employee notification requirements for this SIMPLE IRA plan. A *Summary Description* must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of pages 1 and 2 of Form 5304-SIMPLE (including the information described in *Article VI—Procedures for Withdrawals*).

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

If the financial institution's name, address, or withdrawal procedures are not available at the time the employee must be given the summary description, you must provide the summary description without this information. In that case, you will have reasonable cause for not including this information in the summary description, but only if you ensure that it is provided to the employee as soon as administratively feasible.

## Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Form 5500, Annual Return/Report of Employee Benefit Plan, or Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees' salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, Medicare, railroad retirement, and federal unemployment tax.

## Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made.

Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

## Summary Description

Each year the SIMPLE IRA plan is in effect, the financial institution for the SIMPLE IRA of each eligible employee must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5304-SIMPLE (including instructions) together with the financial institution's procedures for withdrawals from SIMPLE IRAs established at that financial institution, including the financial institution's name and address. The summary description must be received by the employer in sufficient time to comply with the *Employee Notification* requirements earlier.

There is a penalty of \$50 per day imposed on the financial institution for each failure to provide the summary description described above. However, if the failure was due to reasonable cause, the penalty will not be imposed.

**Paperwork Reduction Act Notice.** You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

<b>Recordkeeping</b> . . . . .	3 hr., 38 min.
<b>Learning about the law or the form</b> . . . . .	2 hr., 26 min.
<b>Preparing the form</b> . . . . .	47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:M:S, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.