

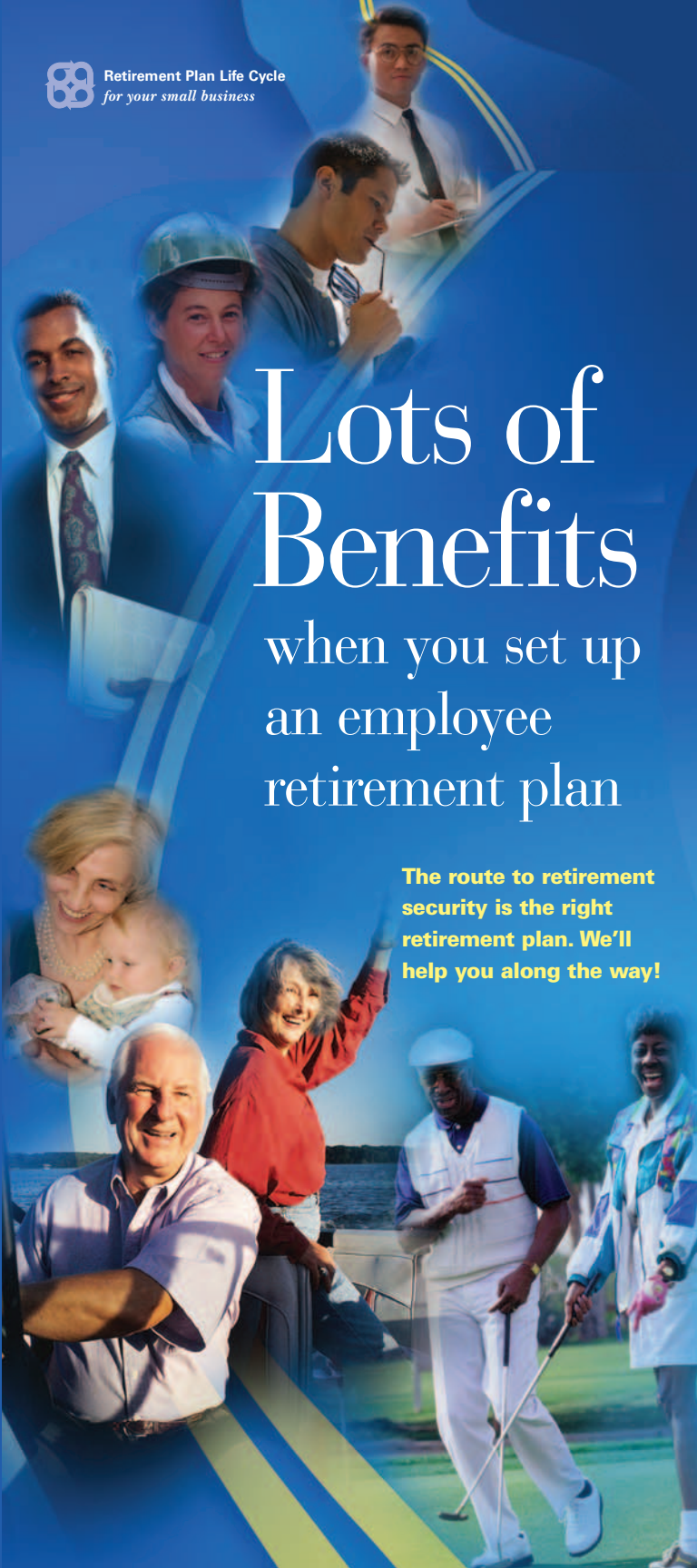


Retirement Plan Life Cycle  
*for your small business*

# Lots of Benefits

when you set up  
an employee  
retirement plan

**The route to retirement security is the right retirement plan. We'll help you along the way!**



# Why should you set up an employee retirement plan, and what are some of the benefits?

A retirement plan has lots of benefits— for you, your business and your employees. Retirement plans allow investing in the future *now* for financial security when you and your employees retire. As a bonus, you and your employees get significant tax advantages and other incentives.

## **Business Benefits**

- Employer contributions are tax deductible.
- Assets in the plan grow tax-free.
- Assets grow with compounding interest.
- Businesses may receive tax credits and other incentives for starting a plan.
- A retirement plan can attract and retain better employees, and consequently reduce new employee training costs.

## **Employee Benefits**

- Tax on employee contributions is deferred until distributed.
- Investment gains in the plan are not taxed until distributed.
- Retirement assets can be carried from one employer to another.
- Contributions can be made easily through payroll deductions.
- Saver's Credit is available.
- Flexible plan options are available.
- Better financial security is available upon retirement.

## What are the first steps to learning about and setting up a retirement plan?

A good place to start is by contacting a tax professional familiar with retirement plans or a financial institution that offers retirement plans.

You can also access detailed information on retirement plans at [www.irs.gov/ep](http://www.irs.gov/ep). Helpful reading materials may be ordered or downloaded from several sources listed on the back cover of this brochure.

## What are the “stages” in a retirement plan?

Every retirement plan has a life span with four stages through which the plan evolves—**Choosing, Establishing, Operating, and Terminating**.



### Stage One: Choosing

You begin thinking ahead:

- 1) towards retirement in general; and
- 2) towards learning specifically about ways that money can be put aside for your retirement and, as a business owner, the retirement of your employees, as well.



### Stage Two: Establishing

You take the necessary steps to put your plan in place. Depending on the type of plan, the range of administrative steps may vary, such as:

- arranging a fund for the plan’s assets
- adopting a written plan
- notifying eligible employees
- developing a recordkeeping system.



## Future Retirement Savings Value

Monthly Savings, 6%	5 years	15 years	20 years
\$50	\$3,489	\$14,541	\$23,102
\$200	\$13,954	\$51,164	\$92,408
\$500	\$34,885	\$145,409	\$231,020



### Stage Three: Operating

You want to operate your retirement plan so it grows and evolves into the valuable retirement vehicle you need. Depending on the type of plan established, there are a number of steps that you need to take to operate your plan on an ongoing basis, such as:

- covering eligible employees
- making appropriate contributions
- keeping the plan up-to-date with the retirement plan law
- managing the plan assets
- providing information to employees participating in the plan
- distributing appropriate benefits.



### Stage Four: Terminating

When your plan no longer suits the purposes of your business, you will close out your retirement plan and notify the appropriate parties.

You may want to discuss these four stages with a tax professional familiar with retirement plans or a financial institution that offers retirement plans.


A photograph of three business professionals—two women and one man—gathered around a laptop, appearing to be in a collaborative meeting. The background is a solid blue color with abstract white and yellow curved lines.

## Did you know...

- **that retirement can last for 30 years or more?**
- **that a common rule to follow is that a retiree will need up to 80% of his/her annual income today to retire comfortably?**
- **that the average amount paid monthly by the Social Security Administration in the form of a benefit is \$895?**

**This brochure highlights** the many benefits of an employee retirement plan. It addresses the first steps of thinking about a retirement plan and the stages in the “life” of the plan (choosing, establishing, operating, and terminating). It also provides references to other subject-related materials and contacts for further assistance with a retirement plan.

The Internal Revenue Service is developing information on retirement plan topics to give employers a better understanding of the tax rules and regulations that apply to the plans. Much of this information will be of interest to business owners, tax professionals, and retirement plan administrators familiar with retirement plans. The available products are posted on the IRS Retirement Plans Web page at [www.irs.gov/ep](http://www.irs.gov/ep).

A photograph of an elderly woman with white hair, wearing a pink shirt, sitting and looking at a document held by a young girl with blonde hair, wearing a purple shirt and a plaid skirt. They appear to be in a casual setting, possibly a library or a community center.

# What resources are available on retirement plans?

Get detailed information on retirement plans at [www.irs.gov/ep](http://www.irs.gov/ep). Click “More Topics” in the “Topics” section, and then click on “Retirement Plan Life Cycle.”

Reading materials may be ordered or downloaded through the originating offices as noted below. Most materials can be accessed through TTY/TDD (teletypewriter/telecommunications device for the deaf) equipment at (800) 829-4059.

■ **Publication 560, *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)***, available through the IRS.

■ **Publication 590, *Individual Retirement Arrangements***, available through the IRS.

■ **Publication 3998, *Choosing a Retirement Solution for Your Small Business***, available through the IRS and the Employee Benefits Security Administration (EBSA).

■ ***Simplified Employee Pensions (SEPs)—What Small Businesses Need to Know***, available through EBSA.

■ ***Savings Incentive Match Plan for Employees (SIMPLE)—A Small Business Retirement Savings Advantage***, available through EBSA.

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## Internal Revenue Service

To order IRS tax forms and publications, call toll-free (800) 829-3676 or access electronically through [www.irs.gov/ep](http://www.irs.gov/ep).

## U.S. Department of Labor Employee Benefits Security Administration

For a complete list of EBSA publications, call toll-free at (866) 444-EBSA (3272) or access electronically through [www.dol.gov/ebsa](http://www.dol.gov/ebsa).



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