

# SIMPLE IRA Plan

## HOW IT WORKS

A Savings Incentive Match Plan for Employees (SIMPLE) IRA makes it easy for an employer to establish a company-sponsored retirement plan. The SIMPLE IRA allows contributions from both employers and employees.

## KEY ADVANTAGES FOR THE EMPLOYER

- SIMPLE IRAs allow you to establish a plan that enables employees to make their own decisions on how much they wish to contribute.
- You can offer matching contributions to employees, providing a reward for their participation in the plan.
- The plan is easy to administer, with no complicated reporting requirements.
- There are no minimum participation requirements.
- Because employees direct the investments of their own accounts, liability for investment results is limited.

## KEY ADVANTAGES FOR YOUR EMPLOYEES

- A SIMPLE IRA is a valuable addition to an employee benefit package.
- SIMPLE IRAs give each employee the freedom to choose how much they wish to contribute to a retirement plan, up to \$11,500 per year in 2010.
- Earnings grow tax deferred.

- All contributions are immediately vested and employees can access this money at any time, subject to the premature distribution penalty rules for SIMPLE IRAs.
- Employees can choose from a wide range of investment options.

## SIMPLE IRAS ARE MOST APPROPRIATE FOR:

- Companies with 100 or fewer employees (firms with more employees are not eligible to offer a SIMPLE IRA);
- Firms that are not concerned about limiting participation in a retirement plan; and
- Firms with limited resources for reporting and recordkeeping of a retirement plan.

## WHAT YOU SHOULD KNOW ABOUT SIMPLE IRAS

### An Exclusive Retirement Plan

Unlike most other retirement plan options, if you choose to establish a SIMPLE IRA, you cannot combine it with any other retirement plan.

### Maximum Contributions

In 2010, each employee is allowed to defer up to \$11,500 or 100% of their compensation, whichever is less. Employees who are age 50 or older can defer an additional \$2,500.



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Employers must match deferrals dollar for dollar up to 3% of compensation (can be lowered to 1% in 2 out of 5 years) OR employer must make a 2% non-elective contribution for all eligible employees. In 2010, a \$245,000 compensation limit applies to non-elective employer contributions only.

For example, if an employee earns \$333,333 and sets aside \$10,000, the total annual contribution would be \$20,000\*. The employee contributes \$10,000 and the employer matches the contributions up to 3% or another \$10,000 for a total of \$20,000.

## INVESTMENT OPTIONS

Assets in a SIMPLE IRA can be invested in virtually any type of investment, including mutual funds, common stocks, corporate and government bonds, annuities and more.

The investments selected will depend on your needs, your tolerance for risk and your time horizon — how long you have until retirement. We can help you determine how much you will need to meet your retirement goals, and can assist you in selecting appropriate funding vehicles for your SIMPLE IRA.

*\* For 2010, \$23,000 is the maximum annual contribution for a SIMPLE IRA, unless an employee is age 50 or older. (28,000)*

## HOW RBC WEALTH MANAGEMENT CAN HELP YOU

Your RBC Wealth Management® Financial Consultant can work closely with you to help determine if a SIMPLE IRA is the right plan for your company.

In addition, your Financial Consultant can offer you and your employees a full range of investment options to help implement each employee's SIMPLE IRA account.

*RBC Wealth Management does not provide tax or legal advice. We will work with your independent tax/legal advisor(s) to help create a plan tailored to your specific needs.*

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