Retirement Options for Small Non-Profits & Their Staff

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Why Prioritize Saving for Retirement?

- American workers will need 70 to 90 percent of their pre-retirement income to maintain their current standard of living when they stop working.
- Among workers 25-64 years of age, little more than half are participants in an employer-sponsored retirement plans.
- People are living longer; as a result, your retirement could last 30+ years, leading to significant impacts to lifestyle if you have not saved enough.
- Social security is intended to replace about 40 percent of your pre-retirement income, meaning 60 percent is your responsibility.

As an Employer, Why Offer a Retirement Plan?

1. **Attract top talent and build high-performing teams**
2. **Tip the balance in your company’s favor**
3. **Increase employee retention**

Sponsor/ Eligible Employer	Key Advantage	Plans to Consider
■ Any employer	■ easy to set up and maintain	**Payroll Deduction IRA**
■ Any employer	■ easy to set up and maintain	**SEP**
■ Employers with 100 or fewer employees that do not currently maintain another plan	■ salary reduction plan with little administrative paperwork	**SIMPLE IRA**
■ Any non-government employer ■ Governments, only if plan was established prior to May 1986	■ permits high level of salary deferrals by employees ■ may include designated Roth program	**401(k)**
■ Public education employers ■ 501(c)(3) organizations	■ permits high level of salary deferrals by employees ■ may include designated Roth program	**403(b)**
■ Any tax-exempt organization	■ permits high level of salary deferrals by employees	**457(b) Tax-Exempt Organization (Non-Church)**

Payroll Deduction IRA

Sponsor/Eligible Employer	▪ any employer
Key Advantage	▪ easy to set up and maintain
Employer's Role	▪ arrange for employees to make payroll deduction contributions ▪ transmit contributions for employees to IRA ▪ no annual filing requirement
Contributors to the Plan	▪ employee can decide how much to contribute
Maximum Annual Contribution (per participant)	▪ employee: $7,000 in 2025
Catch-Up Contributions	▪ age 50 or over — additional employee contribution — $1,000
Minimum Employee Coverage Requirement	▪ should be made available to all employees

SEP

Sponsor/Eligible Employer	■ any employer
Key Advantage	■ easy to set up and maintain
Employer's Role	■ set up plan—employer may use Form 5305-SEP ■ transmit contributions for employees to SEP-IRA ■ generally, no annual filing requirement ■ bank or financial institution handles most of the paperwork
Contributors to the Plan	■ employer can decide whether to make contributions year-to-year ■ only employer contributes
Maximum Annual Contribution (per participant)	■ up to 25% of compensation but no more than $70,000 in 2025
Catch-Up Contributions	■ N/A
Minimum Employee Coverage Requirement	■ must be offered to all employees who are at least 21 years of age, employed by the employer for 3 of the last 5 years, and had compensation of at least $650 in 2021

SEP IRA only allows the employer to contribute.

This option is best for a contractor who is self-funding their retirement.

SIMPLE IRA

Sponsor/Eligible Employer	■ employer with 100 or fewer employees that does not currently maintain another plan
Key Advantage	■ salary reduction plan with little administrative paperwork
Employer's Role	■ set up plan—employer may use Form 5304-SIMPLE or Form 5305-SIMPLE ■ transmit contributions for employees to SIMPLE IRA ■ no annual filing requirement ■ bank or financial institution handles most of the paperwork
Contributors to the Plan	■ employee can decide how much to contribute ■ employer must make matching contributions or contribute 2% of each eligible employee's compensation
Maximum Annual Contribution (per participant)	■ employee: • $16,500 in 2025 ■ employer: • either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 of 5 years), or • contribute 2% of each eligible employee's compensation
Catch-Up Contributions	■ age 50 or over — additional employee contribution — $3,000 in 2021
Minimum Employee Coverage Requirement	■ must be offered to all employees who have compensation of at least $5,000 in any prior 2 years and are reasonably expected to earn at least $5,000 in the current year

401(k)

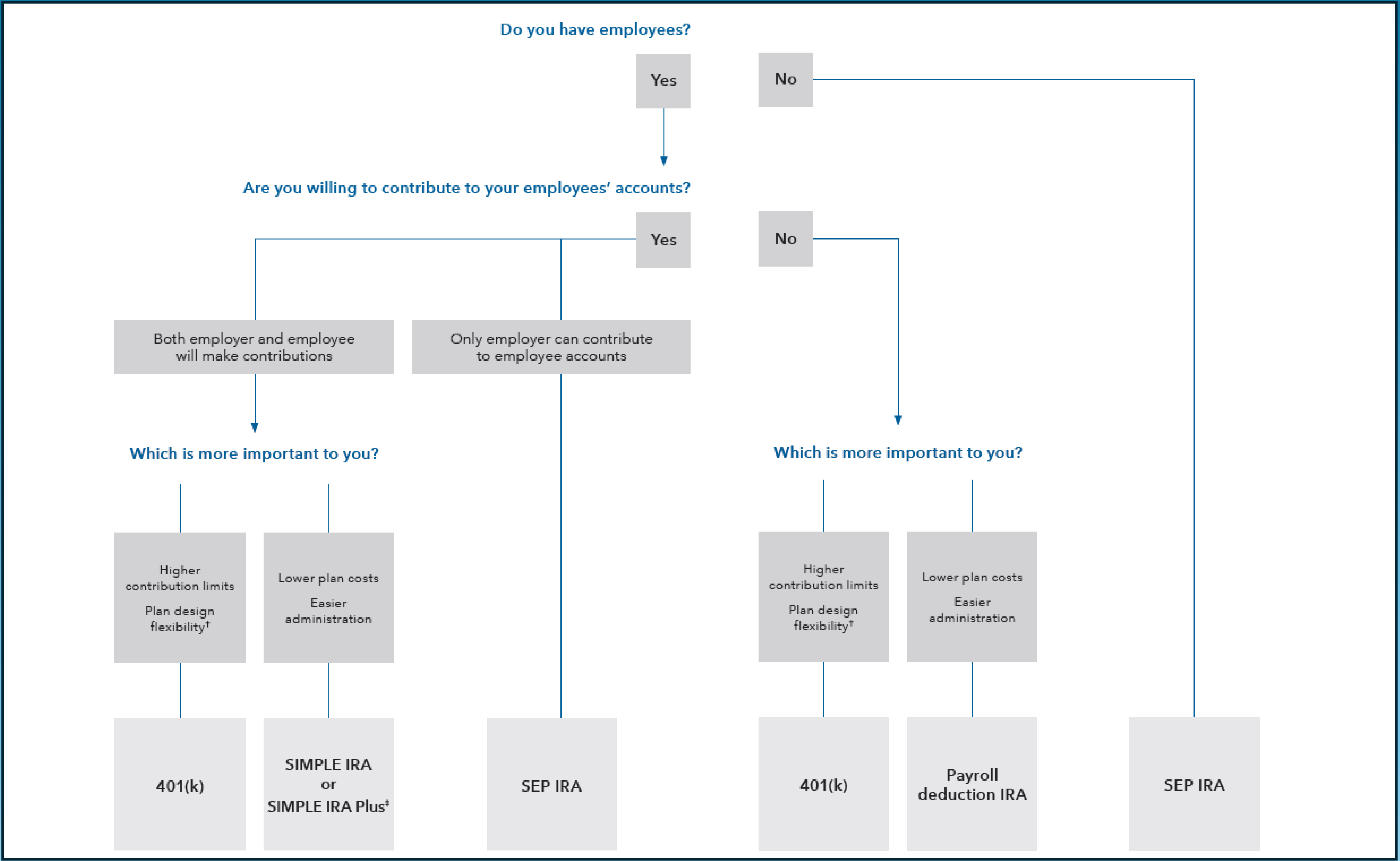
Sponsor/Eligible Employer	■ any non-government employer ■ governments, only if plan was established prior to May 1986
Key Advantage	■ permits high level of salary deferrals by employees ■ may include designated Roth program
Employer's Role	■ arrange for employees to make elective deferral contributions and transmit contributions ■ annual filing of Form 5500 is required (unless government entity) ■ may require annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees ■ no model form to establish this plan
Contributors to the Plan	■ employee elective deferral contributions ■ employer contributions are permissible but not required
Maximum Annual Contribution (per participant)	■ employee elective deferrals: • $23,500 in 2025 ■ employer and employee: • lesser of $58,000 (2021) or 100% of compensation, subject to nondiscrimination testing
Catch-Up Contributions	■ age 50 or over — additional elective deferrals — $6,500 in 2021
Minimum Employee Coverage Requirement	■ must pass minimum coverage test

403(b)

Sponsor/Eligible Employer	■ public education employers ■ 501(c)(3) organizations
Key Advantage	■ permits high level of salary deferrals by employees ■ may include designated Roth program
Employer's Role	■ arrange for employees to make elective deferral contributions and transmit contributions ■ may require Form 5500 filing if employer contributions are made (unless government entity) ■ no model form to establish this plan
Contributors to the Plan	■ employee elective deferral contributions ■ employer contributions are permissible but not required
Maximum Annual Contribution (per participant)	■ employee elective deferrals - $23,500 in 2025 ■ employer and employee — lesser of $58,000 (2021) or 100% of includible compensation ■ age 50 or over — additional elective deferrals — $6,500 (2021)
Catch-Up Contributions	**Special 403(b) catch-up:** ■ selected employers ■ employee must have 15 years of service ■ limited to least of: 1) $3,000, 2) $15,000 less previously excluded special catch-ups and 3) $5,000 multiplied by years of service minus previously excluded deferrals
Minimum Employee Coverage Requirement	■ employee elective deferral contributions: • all eligible employees may elect to have a contribution of more than $200 by salary reduction ■ other contributions: • must pass minimum coverage test (except government entities)

457(b) Tax-Exempt Organization (Non-Church)

Sponsor/Eligible Employer	■ any tax-exempt organization
Key Advantage	■ permits high level of salary deferrals by employees
Employer's Role	■ arrange for employees to make salary reduction contributions ■ no model form to establish this plan
Contributors to the Plan	■ employee salary reduction contributions ■ employer contributions are permissible but not required
Maximum Annual Contribution (per participant)	■ employer and employee: • $23,500 in 2025 ■ no age 50 or over additional salary reduction contribution
Catch-Up Contributions	**Special 457 catch-up:** ■ 3 years prior to the year of normal retirement age ■ limited to lesser of: 1. $39,000 (twice the basic annual limit) in 2021, or 2. the basic annual limit plus unused basic annual limit in prior years
Minimum Employee Coverage Requirement	■ selected group of management or highly compensated employees ■ independent contractors ■ does not need to pass a minimum coverage test


Do you have employees?
Yes
No
Are you willing to contribute to your employees' accounts?
Yes
No
Both employer and employee will make contributions
Only employer can contribute to employee accounts
Which is more important to you?
Higher contribution limits
Plan design flexibility†
Lower plan costs
Easier administration
401(k)
SIMPLE IRA or SIMPLE IRA Plus‡
SEP IRA
Which is more important to you?
Higher contribution limits
Plan design flexibility†
Lower plan costs
Easier administration
401(k)
Payroll deduction IRA
SEP IRA

What's an IRA?

An individual retirement account (IRA) offers tax benefits that can help you save the money you'll need for your retirement. IRAs come in two versions:

- **Traditional IRA.** Invest after-tax money (may be deductible when filing taxes); defer taxes on earnings until withdrawal, usually during retirement.
- **Roth IRA.** Invest after-tax money; withdrawals of contributions are always tax-free, while the withdrawal of earnings are tax-free if it is a qualified distribution. (Refer to page 6.)

- **An IRA could:**
  - Be particularly important if your employer doesn't offer a retirement plan – or if you're already saving the maximum in your employer's plan, but want to save more.
  - Supplement other retirement income sources such as Social Security, pensions, employer-sponsored plans, sale of property, inheritances and annuities, while also acting as a potential hedge against inflation.
  - Help cover health care costs during retirement, as medical bills often become more costly and frequent as we age.

What are my options if my employer does not/will not provide a retirement plan?

Benefits of a traditional IRA

- **No income limits** – Everyone is eligible to open a traditional IRA.
- **Annual income tax deductions** – Part or all of annual contributions to a traditional IRA may be deductible on your tax return. (Refer to pages 4 and 5 for more information.)
- **Tax-deferred growth** – You don't have to pay taxes on your earnings until you make withdrawals.
- **Estate planning** – Beneficiaries will not pay taxes at the point of inheritance, but are subject to required minimum distributions, which are taxable.

IRA contribution limit of $7,000 for 2025

Benefits of a Roth IRA

- **Tax-free growth** – Earnings are tax-free if you (1) delay withdrawals until at least five years after the first contribution made to a Roth IRA set up for your benefit, and (2) you're at least age 59½, disabled or using the money for a first-home purchase ($10,000 lifetime limit).
- **Liquidity** – Contributions to your Roth IRA can be withdrawn tax-free at any time, although earnings will be taxable if the withdrawal doesn't meet certain conditions. The withdrawal may also be subject to an early withdrawal penalty unless you met an exception.
- **Delay withdrawals as long as you like** – You are not required to make minimum withdrawals during your lifetime. This gives you the ability to leave money in your IRA, which means your assets can continue to grow tax-free.
- **Estate planning** – Your IRA beneficiaries receive the inheritance without having to pay income taxes but are subject to required minimum distributions. However, distributions (both earnings and contributions) from the inherited IRA will not be taxable if it is a "qualified" distribution.

Thank you! Questions?

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