



The “SEP”

Simplified Employee Pension (IRA)

Although recent tax laws have increased the contribution limits that apply to Individual Retirement Accounts (IRAs) for successful business owners, these limits may not be sufficient. Fortunately, you can use a Simplified Employee Pension (SEP) to contribute up to 25% of pay, not to exceed \$58,000 (indexed limit for 2021).

What is a SEP?

Despite its name, a Simplified Employee Pension (SEP) is not actually a pension at all. Rather, a SEP is a written arrangement that provides you an easy way to make contributions directly to special Individual Retirement Accounts (IRAs) for each eligible participant.

Contributions made to a SEP are deductible to the employer, and all monies grow in the tax-deferred IRA until distributions are actually made. Although recent tax laws have made it much easier to access monies from an IRA, most distributions other than for death or disability may be subject to a 10% penalty tax if taken before age 59 ½.

SEPs generally require no special reporting, including annual financial reports. In addition, the Internal Revenue Service provides a model SEP plan document prototype.

A business owner may be eligible to receive a tax credit for expenses incurred when establishing a SEP.

Eligibility

A SEP is often a good initial Plan to consider because it is the only qualified plan that allows up to a three-year waiting period. However, all employees must be allowed to participate in the SEP when eligible. An eligible employee is one who:

- 1) is at least 21 years old
- 2) has performed service for you in at least 3 of the past 5 years (by earning at least \$600)

You may exclude certain employees who are nonresident aliens, or employees subject to collective bargaining. You should consult your tax advisor for details on these exceptions.

Establishing a SEP

We make establishing a SEP with us easy by bundling the following forms into a convenient installation kit (Form No. 11967):

- IRS form 5305-SEP (Plan Document Prototype)
- IRS form 5305-A (IRA Custodial Account with added Beneficiary instructions)
- IRS Publication 4285 (SEP Checklist)
- Security Mutual Life 2 and 5 Year Custodial Account funding arrangements (MK-4818 and MK-4819)

Our IRA Custodial Accounts

Security Mutual Life was one of the first life insurance companies in the U.S. to be named a custodian for SEP funds. We offer competitive, guaranteed rates with a choice of short or longer-term guarantees. Our Custodial Accounts incur no loads or annual fees. Please review the Custodial Account Agreements for details of each of the following features:

Guarantee Periods. You can select from either a two-year or five-year guaranteed period or place some monies in each custodial account. All deposits will grow at a pre-determined rate declared by us monthly. Your Security Mutual Life representative can provide you with our current rates.

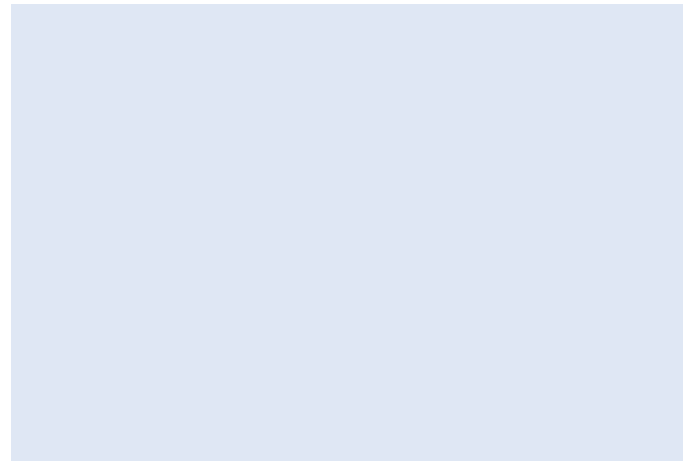
Roll-Forward. You may withdraw all monies with us not more than 30 days after, or 10 days prior to, the expiration of the guarantee period. Monies left with us after this time will then roll forward to a new two or five year guarantee period.

Flexible Withdrawals. Although there may be a surrender charge for taking a withdrawal during the guarantee period, there is no penalty for distributions made:

- Due to death or disability (as described in Article XIII of our augmented IRS form 5305-A).
- If monies are withdrawn as a series of equal and periodic payments over a period of at least five years or until you turn age 59 ½ (whichever is longer).

There is also no penalty to transfer our Custodial Accounts to a Security Mutual Life Annuity to achieve a guaranteed lifetime payout when you retire.

Let Us Know How We Can Help You



This publication is intended for general information purposes or to support the promotion or marketing of the Company's products and does not constitute legal or tax advice. This publication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Internal Revenue Code or any other applicable tax law. Taxpayers are advised to seek tax advice based on the taxpayer's particular circumstances from an independent tax advisor.

The technical information presented within is brief. A conclusion to adopt such a plan should not occur without further review and consultation.

It is the Company's understanding that the custodial account products (MK-4818 and MK-4819) are not covered by The Life Insurance Company Guaranty Corporation of New York and similar guaranty corporations of other states.

Any benefits and payments due under the custodial account products are backed by the claims-paying ability of Security Mutual Life Insurance Company of New York. Such benefits and payments are subject to the financial condition of the Company.

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