Employer reference guide for your SIMPLE IRA retirement plan

The following frequently asked questions can help you learn more about your business' SIMPLE IRA. They also can serve as a convenient resource throughout the year.

What is Edward Jones' annual notification requirement?
The Internal Revenue Service (IRS) requires Edward Jones to provide a Form 5304-SIMPLE with instructions to business owners who have Edward Jones self-directed SIMPLE IRAs. Edward Jones is also required to provide information to help with completing Article VI of the form.

How do I complete Form 5304-SIMPLE for the coming calendar year?
Review the instructions that are attached to the Form 5304-SIMPLE. If you have any questions about completing the form, please consult your tax or legal professional.

Do I need to provide Edward Jones with a copy of my completed Form 5304-SIMPLE?
As custodian of your SIMPLE IRA Plan, Edward Jones does not need a copy of your completed Form 5304-SIMPLE. Please retain a copy for your records.

What information must I provide?
As the employer, you must notify all eligible employees of the opportunity to participate in the plan or modify an existing Salary Reduction Agreement. You can meet this requirement by providing each eligible employee with a copy of your plan's Summary Plan Description (SPD) and Employer Contribution Notice. You also must provide a Salary Reduction Agreement to any employee who wishes to change or modify their agreement for the following year.

What is a Salary Reduction Agreement?
A Salary Reduction Agreement is an arrangement between your business and your employees. Your employees can elect to withhold and deposit a portion of their paychecks into your business's SIMPLE IRA plan. This form also can be used to have employees elect not to defer in to the plan.

The amount contributed under the arrangement is called an elective (salary) deferral contribution. You must receive each eligible employee's election to participate in the plan, indicating the amount and/or percentage of compensation to be withheld from specific pay periods.

These elections must be made in writing. You may use your own Salary Reduction Agreement form or obtain this form from your Edward Jones financial advisor.

How can employees change or modify an existing Salary Reduction Agreement?
To change or modify an existing Salary Reduction Agreement, your employees must provide a new Salary Reduction Agreement form to your business. Do not forward your employees' Salary Reduction Agreement forms to Edward Jones.

What is the definition of an eligible employee?
An eligible employee must meet the plan's service and compensation eligibility and is not excluded from participating, as indicated in the plan.

What is an employer matching contribution?
This matching contribution option requires that for every dollar each eligible employee defers in to the plan, you must make the same contribution amount on behalf of the employee, up to 3% of the employee's compensation.

Example of an incorporated business owner and employees – 3% match

	Salary/W-2 wages	SIMPLE IRA deferral	3% match	Total contribution
Owner	$80,000	$14,000	$2,400	$16,400
Employee No. 1	$30,000	$2,000	$900	$2,900
Employee No. 2	$15,000	$0	$0	$0

Note: The owner made total matching contributions of $3,300 – with most of that amount, $2,400, going into the owner's account. Because Employee No. 2 did not contribute, the owner did not have to make a matching contribution.

Example of a self-employed business owner and employees – 3% match

	Earned income or salary	SIMPLE IRA deferral	3% match	Total contribution
Owner	$80,000	$14,000	$2,165	$16,165
Employee No. 1	$30,000	$2,000	$900	$2,900
Employee No. 2	$15,000	$0	$0	$0

Note: The owner's compensation is self-employment income from IRS Form 1040, Schedule C; employees' compensation is W-2 wages or salary. The owner made total matching contributions of $3,065 – with most of that amount, $2,165, going into the owner's account. Because Employee No. 2 did not contribute, the owner did not have to make a matching contribution. The 3% match is calculated for the owner after the net profits have been reduced by self-employment calculations. This information is available for review under IRS Publication 560. Please contact your tax professional for further information.

What is an employer nonelective contribution?
The nonelective contribution option requires you to make a 2% contribution on behalf of each eligible employee for the calendar year. If you choose a nonelective contribution, each eligible employee must receive a contribution regardless of whether he or she makes a salary deferral contribution.

However, you may, but aren't required to, limit nonelective contributions to eligible employees who have at least $5,000 (or some lower amount selected by the employer) of compensation for the current year. A maximum compensation amount of $305,000 (which may be adjusted by the IRS for the cost of living in the fall of 2022) is used to determine the limit for nonelective contributions.

Example of an incorporated business owner and employees – 2% nonelective

	Salary/W-2 wages	SIMPLE IRA deferral	2% nonelective	Total contribution
Owner	$80,000	$14,000	$1,600	$15,600
Employee No. 1	$30,000	$2,000	$600	$2,600
Employee No. 2	$15,000	$0	$300	$300

Note: The owner made total nonelective contributions of $2,500 – with most of that amount, $1,600, going into the owner's account. Even though Employee No. 2 did not contribute, the owner still must make the nonelective contribution.

Example of a self-employed business owner and employees – 2% nonelective

	Earned income or salary	SIMPLE IRA deferral	2% nonelective	Total contribution
Owner	$80,000	$14,000	$1,457	$15,457
Employee No. 1	$30,000	$2,000	$600	$2,600
Employee No. 2	$15,000	$0	$300	$300

Note: The owner's compensation is self-employment income from IRS Form 1040, Schedule C; employees' compensation is W-2 wages or salary. Total nonelective contributions made by the owner were $2,357 – with most of that amount, $1,457, going into the owner's account. Even though Employee No. 2 did not contribute, the owner still must make the nonelective contribution. The 2% nonelective contribution is calculated for the owner after the net profits have been reduced by self-employment calculations. This information is available for review under IRS Publication 560. Please contact your tax professional for further information.

What is the deadline to deposit contributions to the SIMPLE IRA on behalf of employees?

You must make your nonelective or matching contributions no later than your business tax-filing deadline, including extensions. You must deposit the salary deferral amount, by which each employee agrees to reduce their pay, into the employee's SIMPLE IRA as of the earliest date on which those contributions can be reasonably segregated from your general assets, but no later than 30 days following the end of the month it was withheld from his or her pay.

Please note that the Department of Labor provides a safe harbor for depositing deferrals for small plans (fewer than 100 participants). If the deferrals are deposited to the plan within seven business days of receipt of withholding, they will be considered to be made in a timely manner and in compliance.

For example:

- The business must deposit all salary deferral contributions taken from employee pay in August into its SIMPLE IRA as of the earliest date on which contributions can be reasonably separated from your general assets, but no later than Sept. 30.
- If the business' tax-filing deadline, including extensions, is Oct. 15, 2022, it must deposit all matching or nonelective contributions to all SIMPLE IRA participants by this date.

What are the annual reporting requirements?

Because your business has a SIMPLE IRA, it must report to the IRS the amount of each active employee's salary reduction contributions on the employee's W-2 form. These contributions are subject to Social Security, Medicare, railroad retirement, federal unemployment and any applicable state taxes. Please consult your tax or legal professional with any questions about tax reporting requirements.

How will Edward Jones report to the IRS the contributions made to SIMPLE IRAs?

SIMPLE IRA contributions made between Jan. 1, 2022, and Dec. 31, 2022, are reported in Box 9 of IRS Form 5498, which will be received in May 2023. SIMPLE IRA contributions made for 2022 but deposited in calendar year 2023 will appear on the 2023 Form 5498, which will be received in May 2024. No distinction is made about the type of SIMPLE IRA contributions made to the account; salary deferral, employer matching and employer nonelective contributions are combined in the amount reported in Box 9. Your tax or legal professional can help you determine how contributions should be reported on your business' tax filing.

Can I terminate my SIMPLE IRA midyear?

No, the IRS requires a SIMPLE IRA to be run on a whole calendaryear basis. Therefore, once started for a year, a SIMPLE IRA must continue for the entire calendar year. You are required to fund all contributions as promised in the employee notice. You can terminate your SIMPLE IRA, beginning with the next calendar year, after you have informed your employees there will be no SIMPLE IRA for the coming year. You must inform your employees within a reasonable time before the 60-day election period ending on Dec. 31. Please note that you cannot replace your SIMPLE IRA midyear with another type of retirement plan [e.g., 401(k), SEP IRA]. The new plan must start the next calendar year.

What are the salary deferral contribution limits?

The maximum contribution amount an employee may defer is limited to the lesser of 100% of earned income or:

Year	Amount
2022	$14,000
2023	$14,000*

If you have employees who are ages 50 and older by the end of the plan year, they may make catch-up employee deferral contributions of:

Year	Amount
2022	$3,000
2023	$3,000*

If you have employees who defer their salaries into multiple business-sponsored retirement plans [e.g., 401(k), 403(b), SIMPLE IRA] during the same calendar year, they are subject to a maximum aggregate deferral limit of:

Plan type combinations	Year	Amount	Catch-up (Ages 50 and older)	Total
2 SIMPLE Plans	2022	$20,500	$3,000	$23,500
SIMPLE + 401(k) or 403(b)	2022	$20,500	$6,500	$27,000
2 SIMPLE Plans	2023	$20,500*	$3,000*	$23,500*
SIMPLE + 401(k) or 403(b)	2023	$20,500*	$6,500	$27,000*

*The IRS may adjust the 2023 limit (for cost of living in the fall of 2022).

Edward Jones, its employees and financial advisors cannot provide tax or legal advice. You should consult your attorney or qualified tax advisor regarding your situation.

Edward Jones can help.

We can help develop a strategy for your personal and business needs and help your employees. We will be there to provide comprehensive education on retirement planning and investing – and to answer any questions or concerns you or your employees may have. We will also let you know when it is an appropriate time to review your goals – and the goals of your employees.

It is important that your employees understand their retirement plan, because to us the plan will be a success if every participant reaches his or her retirement goal.

If you have additional questions, please contact your Edward Jones financial advisor. And remember to ask for more details about our Employee Education Program.

