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SCHWAB

Employee Q&A

Questions and
Answers About the
Schwab SIMPLE IRA

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Here are answers to some questions you may have about the SIMPLE IRA.

Overview

What is a SIMPLE IRA Plan?

A SIMPLE IRA Plan is a salary reduction retirement plan designed for small companies with 100 or fewer eligible employees. Once an employer adopts it, eligible employees can set up their own individual SIMPLE IRA accounts to hold contributions they make, as well as contributions made by the employer on their behalf.

When am I eligible to participate in my employer's SIMPLE IRA Plan?

You're eligible as soon as you meet the eligibility requirements your employer established at the time the SIMPLE IRA Plan was adopted. Generally, you're eligible if you received at least \$5,000 in compensation from your employer each year in any two previous years, and if you're expected to receive at least \$5,000 during the current year. You should receive an annual written reminder of your eligibility from your employer at least 60 days before the start of each year.

Do I have to open my SIMPLE IRA at Schwab?

Although it's not necessary, an account with Schwab gives you access to the service, investment choices and convenience for which we're known.

Are there any fees for my SIMPLE IRA?

There are no account service fees for maintaining your SIMPLE IRA.

Please see the most current *Charles Schwab Pricing Guide*, including any amendments to the *Guide*, for details about our standard commission rates and other fees and charges that may affect your account.

Will Schwab send me information about my SIMPLE IRA?

Yes. We will send you quarterly statements showing your account activity.

When will I have access to my money?

Contributions are immediately 100% vested upon receipt from your employer. This means they belong to you, and are available for you to invest.

Contributions

How much may I contribute to my SIMPLE IRA each year?

You can make pre-tax salary deferral contributions with money taken from your annual income up to the salary deferral limit or 100% of your compensation, whichever is less. The chart below shows salary deferral contribution limits.

Salary Deferral Contribution Limit for Tax Year 2023	
Salary deferral contribution limit for those under age 50	Salary deferral contribution limit for those age 50 or over
\$15,500 ¹	\$19,000 ¹

Will my employer contribute to my SIMPLE IRA each year?

Yes. If you contribute to your SIMPLE IRA account, your employer must do so as well. At least 60 days before the beginning of a new calendar year, your employer will notify you of the contribution formula to be used that year.

When are contributions deposited into my SIMPLE IRA?

Your elective deferral contributions must be deposited within 30 days after the end of the month in which the amount was withheld from your pay. Your employer may make its annual contributions any time up to the company's income tax filing date, including extensions.

Can I change my contribution amount during the year?

You can stop your salary deferrals for contributions at any time, as long as you give your employer advance notice. Note, however, that your employer can establish a policy about changing a contribution amount during the year, and can also decide whether an employee who has stopped contributing can resume making contributions in the same year. The Participant Notice and Summary Description provided by your employer each year will state its policies.

Will my employer continue to contribute to my SIMPLE IRA if I terminate my employment?

No. Depending on the type of contribution method your employer has chosen, it may be required to make an annual contribution for the last calendar year of your employment, but not thereafter.

May I contribute to a personal IRA and my SIMPLE IRA?

Yes. You can contribute up to \$6,500 (\$7,500 if you're age 50 or older)² to an IRA that's separate from your SIMPLE IRA. However, depending on your income and tax filing status, your contribution may not be tax-deductible. To make a personal IRA contribution with Schwab, you will need to first open a separate IRA. Give us a call at 1-800-435-4000 for the appropriate account application.

Do I pay taxes on SIMPLE IRA contributions?

Not until you withdraw your money. That goes for the earnings on your contributions as well. However, your elective deferral contributions are subject to Social Security and Medicare taxes (FICA). Participation in a SIMPLE IRA won't reduce your Social Security benefits.

Distributions

Can I take money out of my SIMPLE IRA?

Yes. Although your SIMPLE IRA contributions are meant for retirement, you can withdraw funds (take distributions) at any time by completing a Schwab IRA Distribution Request Form. They'll be subject to ordinary income tax. If you're under age 59½, the money may be subject to a 10% federal tax penalty—25% if you withdraw the money during the first two years from the date of your first contribution. State penalties may also apply. Also, keep in mind that money withdrawn in the first two years cannot be rolled over to any retirement account or plan except another SIMPLE IRA.

When must I begin to withdraw money from my SIMPLE IRA?

No later than April 1 following the year in which you turn RMD age. For more specific information, take a look at the custodial account agreement and disclosure statement that will be mailed to you after you open your SIMPLE IRA.

Brokerage Products: Not FDIC-Insured ▪ No Bank Guarantee ▪ May Lose Value

Important Disclosures

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner or investment manager.

¹May adjust annually for inflation but only in increments of \$500.

²For tax year 2023. Federal law provides for certain future increases and inflation adjustments.

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