

## Employer Q&A

Questions and  
answers about the  
Schwab SIMPLE IRA

Here are answers to some questions you may have about a SIMPLE IRA Plan. Schwab investment professionals may be able to provide additional information you may need to help you understand how a SIMPLE IRA Plan can benefit you and your company. We suggest that you also consult with your tax advisor before establishing your company retirement plan.

# Eligibility

## How do I determine if I'm eligible to establish a SIMPLE IRA Plan?

Any employer, self-employed person, sole proprietor, partnership, or corporation with up to but not exceeding 100 eligible employees may set up this retirement plan.

However, you can't establish a SIMPLE IRA Plan if you already maintain an employer-sponsored retirement plan, such as a 401(k), Keogh, SEP-IRA, Money Purchase Pension, or Profit-Sharing plan, and you made a contribution to that plan for the same tax year. You also can't use a SIMPLE IRA Plan if your employees received an increase in their accrued benefits under a defined benefit pension plan. If you do have another plan, you should review your situation with your legal or tax advisor first.

## Must I include all employees?

No. If you wish, you can exclude employees who are covered by a collective bargaining agreement, employees acquired in a merger or similar business transaction, or nonresident aliens with no U.S. income.

## Which employees are eligible?

An employee is eligible to participate in your SIMPLE IRA Plan if he or she received \$5,000 or more in compensation from you in any previous two years and if you reasonably expect that the employee will receive at least \$5,000 in the current year. You can set a lower minimum compensation amount if you want to allow more employees to participate. Please note that Schwab does not accept SIMPLE IRA accounts for employees under age 18.

## Is there an easy way to model which of my employees are eligible?

Yes. Schwab offers a special tool to help you. Use our **Contribution and Eligibility Calculator** to help you determine which of your employees are eligible for the plan. It even helps you model different contributions for you and your employees too.

## Are all of my eligible employees required to participate?

No. Participation is voluntary, and you may have a SIMPLE IRA Plan regardless of how many employees actually participate. While eligible employees do not have to make salary deferral contributions, you do need to allow all eligible employees to participate and you may still need to make contributions for them, depending on the employer contribution you choose in your plan (non-elective vs. matching).

## Can I get a tax credit for my costs to set up my plan?

Yes. An eligible employer establishing a new SIMPLE IRA may receive a tax credit for costs to establish, administer, or educate employees about retirement planning. You can claim a credit of up to \$5,000 for each of the plan's first three years.<sup>1</sup>

New tax credits are also available for contributions in 2025 or later. The tax credit may be as high as \$1,000 per participant who earns \$100,000 or less. See IRS webpage for more information: [irs.gov/retirement-plans/retirement-plans-startup-costs-tax-credit](https://www.irs.gov/retirement-plans/retirement-plans-startup-costs-tax-credit).

## Are there fees for the SIMPLE IRA?

There are no fees to establish a Schwab SIMPLE IRA Plan or to maintain the accounts for you and your employees.

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 the accounts for you and your employees.

## Must my employees open their SIMPLE IRA accounts at Schwab?

No. They can open their SIMPLE IRA account at any financial institution that is willing to accept a Schwab SIMPLE IRA Plan account. But having an account at Schwab gives your employees access to the service, investment choices, and convenience for which we're known. Once you've made contributions to their SIMPLE IRAs, employees own and control their accounts.

You and your employees may navigate to the SIMPLE IRA web page on **Schwab.com** to open the SIMPLE account online: [schwab.com/small-business-retirement-plans/simple-ira](https://www.schwab.com/small-business-retirement-plans/simple-ira).

# Contributions

## What are the salary deferral contribution limits for a SIMPLE IRA Plan?

The chart below shows salary deferral contribution limits.

Salary Deferral Contribution Limits for Tax Year 2025		
	Salary deferral contribution limit for those under age 50	Salary deferral contribution limit for those age 50 and over
	\$17,000 <sup>2</sup>	\$21,000 <sup>2</sup>
Small Plans:	\$18,100	\$21,950

## What is different in 2026?

**Employers with 25 or fewer employees** (who earned \$5,000 or more in 2024) must allow an increased salary deferral limit of \$18,100 (plus a \$3,850 catch-up limit for those age 50 and older).

While **employers with 26 to 100 employees** (who received at least \$5,000 in compensation in 2025) may voluntarily allow the increased salary deferral limits above, the employer had to provide prior notice of the higher limits to all employees at least 60 days before the end of 2025. Larger employer contributions are also required.<sup>5</sup>

**Special Age 60 Catch-up:** participants age 60 to 63 by the end of 2026 MAY be able to increase their catch-up to \$5,250 for 2025.

At this time, it is not clear whether plans that already increased their deferral and catch-up limits (to \$18,100 and \$3,850) may also allow this special catch-up in 2026.

## As an employer, what amount must I contribute each year to my employees' SIMPLE IRA accounts?

Each calendar year, you're required to select one of the following contribution methods for your SIMPLE IRA Plan:

	Matching Contributions	Nonelective Contributions
You contribute	To SIMPLE IRAs of eligible employees who make contributions.	To SIMPLE IRAs of all eligible employees, whether or not they contribute.
Amount contributed	Dollar-for-dollar match, up to 3%* of the employee's compensation. <sup>3</sup>	2% of the employee's compensation. <sup>3</sup>
Your 2025 contribution limits	Up to \$18,100 for each contributing employee in plans with 25 or fewer participants. For other plans, up to \$17,000 for each contributing employee. <sup>5</sup> Additional salary deferrals for those age 50 and over are not eligible for matching.	\$7,200 for each eligible employee. <sup>3</sup>

\*Please note: In any two years of a five-consecutive-year period, you may use a dollar-for-dollar match of as little as 1% of compensation in place of 3% matching. If you decide to change the type or amount of contributions, you must notify employees at least 60 days before the start of the plan year.

**Matching contributions.** With this option, you match the contribution of each participant on a dollar-for-dollar basis up to 3% of compensation.<sup>5</sup> This amount can't exceed the salary deferral contribution limit for that year (see the chart at left). Remember that with this method, you contribute only to the SIMPLE IRA accounts of those eligible participants who make salary deferral contributions. For no more than two years out of five, you may match a smaller percentage, but not less than 1% of compensation.

A hypothetical example of how matching contributions are calculated for a company with four eligible participants is illustrated in the table on the following page.

**Nonelective contributions.** If you select this option, you'll contribute 2% of each eligible employee's salary up to a maximum contribution of \$7,200 for 2026,<sup>3</sup> whether or not employees make contributions themselves.<sup>5</sup>

In addition, each of your eligible employees can contribute up to 100% of compensation or the salary deferral contribution limit (see the table on this page), whichever is less, to his or her SIMPLE IRA.

A hypothetical example of how nonelective contributions are calculated for a company with four eligible participants is illustrated in the table below.

## How do SIMPLE IRA contributions affect personal taxes?

Traditional SIMPLE IRA employee salary deferral contributions aren't subject to federal income taxes until you withdraw funds. However, they are subject to applicable Social Security and Medicare (Federal Insurance Contribution Act, or FICA; or Self-Employed Contributions Act, or SECA) and unemployment insurance (Federal Unemployment Tax Act, or FUTA) taxes. Roth SIMPLE IRA employee salary deferral contributions are subject to federal, state, Social Security, Medicare, SECA, and unemployment insurance taxes through the employer's payroll service when made to the plan. Participation in a SIMPLE IRA Plan doesn't reduce Social Security benefits. When contributed to the employee accounts, employer contributions are not subject to federal income, FICA, or FUTA, but may be subject to SECA.

Matching Contributions					
Employee	Employee Salary	Employee Contribution	Employee Match %	Matching Contribution	Explanation
Business Owner	\$100,000	7% (\$7,000)	3%	3% (\$3,000)	The employer matches up to 3% of the employee's salary.
Employee 1	\$50,000	1.5% (\$750)	3%	1.5% (\$750)	Since the employee chooses to contribute 1.5%, the employer matches only that percentage, not the 3% maximum.
Employee 2	\$25,000	5% (\$1,250)	3%	3% (\$750)	The employer matches up to 3% of the employee's salary.
Employee 3	\$25,000	0%	3%	0%	Since the employee makes no contribution, there is nothing for the employer to match.

Nonelective Contributions				
Employee	Employee Salary	Employee Contribution	Nonelective Contribution	Explanation
Business Owner	\$100,000	7% (\$7,000)	2% (\$2,000)	The employer must contribute 2% of the employee's salary.
Employee 1	\$50,000	1.5% (\$750)	2% (\$1,000)	The employer must contribute 2% of the employee's salary.
Employee 2	\$25,000	5% (\$1,250)	2% (\$500)	The employer must contribute 2% of the employee's salary.
Employee 3	\$25,000	0%	2% (\$500)	The employer must contribute 2% of the employee's salary.

# Contributions (Continued)

## As a business owner, how do I calculate my own contributions if I'm self-employed?

Use your net earned income to calculate your contributions for the year. That's the income you earn from personal services to or on behalf of your business, minus your deductions (excluding any contributions to your account). You may contribute up to the annual salary deferral contribution limit (see the chart on page 3) or 100% of your net earned income, whichever is less.

## Is there an easy way to model different contribution amounts and see which of my employees are eligible too?

Yes. Schwab offers a special tool to help you. Use our **Contribution and Eligibility Calculator** to model contributions to both business owners and eligible employees, if applicable. It even helps you determine which of your employees might be eligible.

## When are SIMPLE IRA contributions vested?

All SIMPLE IRA contributions, both employer and employee, are immediately 100% vested.

## May employees make changes to their salary deferral contribution amount during the year?

Yes. Employees can stop contributions at any time, provided they give advance notice to you. If you wish (though it's not required), you can establish a policy on the Participant Notice and Summary Description that permits your eligible employees to change the amount of their contributions during the year. Employees who wish to change or stop their contribution amounts should give your company's Plan Administrator a new completed, signed, and dated Elective Deferral Agreement. Employee contributions are always voluntary, nor can employees be forced to make Roth contributions, rather than Traditional pre-tax employee salary deferrals.

## How do I notify my employees about the employer contribution method I intend to use?

Annually, and no later than 60 days before the new plan year, you must communicate the method you intend to use during the next plan year by giving your employees a completed Participant Notice and Summary Description.

## When must I deposit employee salary deferral and employer contributions?

You need to coordinate with your payroll service to make sure that the deposits are made as soon as the employees' salary deferrals can be separated from the general assets of the business. IRS rules require that you make the salary deferral contributions no later than 30 days following the month in which you withheld the deferrals from an employee's salary.

However, you may make your employer annual matching or nonelective contributions anytime up to your business income tax filing deadline, including extensions.

## How do I submit salary deferral contributions?

You can make salary deferral contributions by Direct Deposit, by Schwab MoneyLink® (ACH), or by mailing a check.

### Direct Deposit

- Contributions are initiated at your banking financial institution.
- Contact your bank to authorize the bank to deposit the salary deferrals directly into each employee's SIMPLE IRA account, not into your group plan (SIMPLE IRA Master account).
- You do not need to send Schwab a Contribution Transmittal Form when using this method.

If your bank allows electronic funds transfers, you'll need to provide the bank with the following information:

- **Institution's Name:** JPMorgan Chase/Account of Charles Schwab
- **Address:** 3000 Schwab Way, Westlake, TX 76262-8104
- **Phone:** 1-800-435-4000
- **Direct Deposit Routing Transit Number:** 071000013
- **Account Number:** 593853800XXXXXXXXX  
(where "XXXXXXXXX" represents the employee's eight-digit Schwab SIMPLE IRA account number)
- **Account Type:** Checking
- **Employee/Account Holder Name**

**Note:** Only salary deferral contributions can be made using the Direct Deposit method. All employer contributions must be made by MoneyLink or check.

# Contributions (Continued)

## MoneyLink (ACH)

You initiate the MoneyLink service through Schwab by completing and returning a SIMPLE Contribution Transmittal Form. The form authorizes Schwab to transfer funds from your bank and lets Schwab know the amount that should go into each employee's SIMPLE IRA account. Go to the SIMPLE IRA page on **Schwab.com** to obtain the latest copy of the SIMPLE Contribution Transmittal Form.

Note: You must complete a Schwab MoneyLink Electronic Funds Transfer Form to establish the MoneyLink service for your SIMPLE IRA Master account.

## Check

Simply mail us a check along with a completed SIMPLE Contribution Transmittal Form detailing how to allocate the contributions you're sending. Go to the SIMPLE IRA page on **Schwab.com** to obtain the latest copy of the SIMPLE Contribution Transmittal Form.

## Can employees who contribute to a SIMPLE IRA also contribute to personal IRAs?

Yes, you and your employees can each contribute up to the lesser of \$7,500 for 2026 (\$8,600 if you're age 50 or older)<sup>4</sup> or 100% of your compensation to your personal IRAs. However, you can't put SIMPLE IRA contributions in a personal IRA. A separate SIMPLE IRA account must be established. Also, since the SIMPLE IRA Plan is considered an employer-sponsored retirement plan, depending on income and tax filing status, some or all of your personal IRA contributions may not be tax-deductible.

## Are Roth contributions allowed in a SIMPLE IRA plan?

Yes, you, as the employer, may choose to allow employee salary deferral contributions to be made as Roth contributions effective for the 2026 plan year. If you allow this optional feature, you must communicate it to employees during Open Enrollment before the plan year starts, or when you open a new plan. Employees may then choose to make Roth SIMPLE employee contributions or Traditional pre-tax SIMPLE employee contributions or a combination of both. Employees may not be forced to make only Roth contributions. They must always be given the option of making Traditional pre-tax contributions.

Employer contributions may not be made as Roth contributions for 2026, instead they must be made to the employee's Traditional SIMPLE IRA account.

As the employer, you and/or your payroll service must tax employee contributions appropriately before they are contributed to the plan. When contributed to the plan, make sure to use the correct type of account for each employee's contribution. Employees must have two accounts if they make Roth SIMPLE IRA contributions to allow Schwab to report distributions correctly. For this IRS reporting, Schwab offers a Roth SIMPLE account type and a Traditional SIMPLE account type. Be sure your employees open and provide you with the correct account number.

# Investment Choices

## What investment choices are available for my Schwab SIMPLE IRA?

Schwab offers investment choices to help each participant tailor a portfolio that's right for them. Participants may select from a full range of investments and services—including mutual funds, stocks, fixed income securities, bonds, options, and investment advisory products—all in one convenient place.

## What are investment advisory products?

Schwab's investment advisory products are a suite of fee-based investment service offerings that will provide your eligible plan participants with ongoing support and discretionary portfolio management. As the plan sponsor, you decide whether or not to offer investment advisory products under your plan. There is no cost to you as the plan sponsor for making these products available to participants in your plan. The fees will apply to only those eligible participants who decide to enroll in these products.

## How do I make investment advisory products available for my plan?

You don't need to do anything to make investment advisory products available under your plan. However, if you decide not to offer investment advisory products as an investment choice under your plan, you must complete and sign an Investment Advisory Products Opt-Out Form and return it to Schwab.

You can change your decision at any time by notifying us in writing.

## As the employer, must I file any documents with the IRS when I set up a SIMPLE IRA Plan?

Generally, there's nothing you have to file with the IRS. However, you may want to consult with your tax advisor about your individual situation.

# Distributions

## When can funds be withdrawn from a SIMPLE IRA?

While SIMPLE IRA contributions are meant for retirement, participants may withdraw funds (take distributions) at any time by completing and submitting a Schwab IRA Distribution Request Form. Distribution taxes vary by contribution type and account. The Traditional SIMPLE account will be subject to ordinary income tax. And, if under age 59½, it may also be subject to a 10% federal tax penalty (a figure which increases to 25% if the withdrawal occurs within two years from the date an employee began participating in the plan). State tax penalties may also apply. Roth SIMPLE employee contributions and their earnings may be withdrawn tax-free as long as the withdrawal is qualified. Non-qualified withdrawals are permitted, but any earnings withdrawn are subject to taxation and a 10% penalty. The penalty is increased to 25% if the SIMPLE account has not met the 2-year aging rules.

# Administration and Rules

## When can I establish a SIMPLE IRA Plan?

You can establish a plan any time between January 1 and October 1, but you must operate the plan on a calendar-year basis, even if your business tax year is a different 12-month period.

## When must I notify my employees about yearly contribution determinations (often referred to as the “Open Enrollment Period”)?

Employees must be allowed 60 days before the next year begins to determine how much of their compensation they wish to defer into the plan during that year. Since their decision depends in part on the employer’s contribution for the coming year,

that information must be provided to employees on or before November 1.

See the table below to review the steps you, as the employer, must take each year to comply with the rules for SIMPLE IRAs.

## Am I required to send out reports to my employees about their SIMPLE IRAs?

You must submit a Form W-2 annually to the IRS and to each employee, showing the employee’s taxable income as reduced by his or her Traditional pre-tax salary deferral contributions. If the employee makes Roth SIMPLE contributions, include the Roth contributions in the employee’s taxable income and on the employee’s W-2.

You do not report employer contributions made on the employee’s W-2.

## Will Schwab send any reports to me or my employees?

Schwab will send account statements at least quarterly to each account holder. Schwab will also send you, the employer, an annual notification about open enrollment that includes a Participant Notice and Summary Description template for you to use to meet your annual IRS employee notice requirement.

## How do I obtain additional forms and documents necessary for the ongoing administration of my plan?

We provide all of the forms to meet your ongoing plan administration needs online at **Schwab.com**. You can either complete the forms online before printing or you can print them and complete them by hand. Regulatory documents, such as the SIMPLE IRA Basic Plan Document, can also be accessed online on the SIMPLE IRA web page: **schwab.com/small-business-retirement-plans/simple-ira**.

Time Frame	Objective
<b>Before November 1</b>	Select one of the contribution methods for your SIMPLE IRA Plan (see pages 3–6 for more information).
<b>On or before November 1</b>	<ol style="list-style-type: none"><li>1. Complete a Participant Notice and Summary Description. Select your yearly contribution method in Section 2, Part C.</li><li>2. Photocopy the completed Participant Notice and Summary Description and distribute a copy to each eligible employee, along with a copy of the Elective Deferral Agreement. Eligible employees include both those who are already contributing (or eligible to contribute) and those who are newly eligible for the coming year.</li></ol>
<b>Before January 1</b>	<ol style="list-style-type: none"><li>1. Collect employees’ Elective Deferral Agreements for the coming year.</li><li>2. Arrange for payroll withholding under the agreements, to begin with the first pay period in January.</li></ol>

**Investment and Insurance Products: Not a Deposit ▪ Not FDIC Insured ▪  
Not Insured by any Federal Government Agency ▪ No Bank Guarantee ▪ May Lose Value**

#### Important Disclosures

<sup>1</sup>The tax credit is subject to certain limits and restrictions. Please consult your tax advisor for information on your particular situation.

<sup>2</sup>May adjust annually for inflation but only in increments of \$500.

<sup>3</sup>The current compensation cap for calculating nonelective contributions is \$350,000 for tax year 2025 and \$360,000 for 2026 (subject to adjustments for inflation in \$5,000 increments). Matching contributions have no compensation cap. A compensation cap means that if the employee's compensation is over \$360,000 in tax year 2026, only \$360,000 will be used for calculation purposes in tax year 2026, for example.

<sup>4</sup>Federal law provides for certain future increases and inflation adjustments.

<sup>5</sup>Employers with 25 employees or fewer (who earned \$5,000 or more in 2025) must allow an increased salary deferral limit of \$18,100 (plus a \$3,850 catch-up limit for those age 50 and older).

While employers with 26 to 100 employees (who received at least \$5,000 in compensation in 2025), may voluntarily allow the increased salary deferral limits above, the employer had to provide prior notice of the higher limits to all employees at least 60 days before the end of 2025. Larger employer contributions are also required. These employers must contribute either a 3% non-elective or a 4% matching contribution for eligible employees.

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, you should consult with a qualified tax advisor, CPA, Financial Planner, or Investment Manager.

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options" before considering any option transaction. Call Schwab at **1-800-435-4000** for a current copy. Supporting documentation for any claims or statistical information is available upon request.

