

A **SIMPLE IRA** is an easy and low-cost way to set up a retirement program for your small business.

What is a SIMPLE IRA?

A Savings Incentive Match Plan for Employees (SIMPLE) IRA is a salary-deferral retirement plan that allows both the employer and employees to contribute to employee retirement accounts.

Who is a SIMPLE IRA best suited for?

Employers with 100 or fewer employees who do not already maintain or contribute to another employer-sponsored retirement plan in the same year.

Which of my employees can participate?

Any employee who received at least \$5,000 in compensation from your company during any two prior years (can be nonconsecutive) and who you reasonably expect will receive at least \$5,000 in the current year.

Note: Each eligible employee can decide whether or not to participate and how much they want to contribute, up to the allowable maximum.



What are the benefits of a SIMPLE IRA?



Employers enjoy tax-deductible contributions for their business and Roth and/or pre-tax employee contributions. Earnings grow tax-deferred on pre-tax contributions and may be tax-free on Roth contributions.



Employees are not required to make contributions and are always 100% vested in their SIMPLE IRA money.



There are no setup or account maintenance fees and no special IRS tax-filing requirements for employers. Commission, service, and exception fees may apply.



Employers may choose to contribute for all employees or to make only matching contributions.

Visit schwab.com/SIMPLE-IRA to get started.

What do I need to know about contributions?

- Employees may contribute up to \$17,000 for the 2026 tax year (\$21,000 if age 50 and up).
- Employer contributions (match or nonelective) must be made prior to the employer's tax-filing deadline, including extensions. Employee salary deferrals must be contributed as soon as possible after withholding from the employee's pay, but no later than 30 days following the month withheld from pay.
- Employers are required to make contributions to the employee's Traditional SIMPLE account in one of two ways:
 - Employers must match employees' contributions dollar for dollar up to 3% of each employee's compensation (which can be reduced to 1% in any two out of five years), OR
 - Employers must make contributions for **all** eligible employees, including those who do not make contributions, in a nonelective amount of 2% of each employee's compensation.

New for the 2026 plan year: Roth SIMPLE IRA employee contributions

- Employers may choose to allow employees to make Roth salary-deferral contributions.
- Roth and Traditional contributions are taxed differently:
 - Traditional contributions are made pre-tax and taxed when withdrawn.
 - Roth contributions are made after-tax and may be withdrawn tax-free if qualified.
 - Tax reporting necessitates that Roth and Traditional contributions are tracked separately. Employees will have two separate SIMPLE IRA accounts at Schwab.

What is different in 2026 for contributions?

- Employers with 25 employees or fewer (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.
- Special age 60 catch-up: For 2026, participants age 60 to 63 by the end of 2026 may be able to increase their catch-up to \$5,250.

What about distributions?

- Distributions from a Traditional SIMPLE IRA are taxed at the time of withdrawal and are subject to a 10% early-withdrawal penalty if you are under age 59½, but exceptions may apply.
- Qualified Roth SIMPLE IRA withdrawals are tax-free. Distributions of earnings made before the five-year Roth holding period are subject to taxes and penalties if you are under age 59½.
- This IRS penalty is increased to 25% if you have not had your SIMPLE IRA account for at least two years.
- Required Minimum Distributions (RMDs) start at age 73. Roth SIMPLE IRA contributions are not subject to RMDs unless the account is inherited.

Ready to establish a SIMPLE IRA plan?

Visit schwab.com/SIMPLE-IRA for additional details, necessary forms, and detailed instructions for employers and participants/employees.

Investing involves risk, including loss of principal.

This tax 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 that you consult with a qualified tax advisor, CPA, Financial Planner, or Investment Manager. Depending on the type of account you have, there are different rules for withdrawals, penalties, and distributions. Please understand these before opening your account.

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