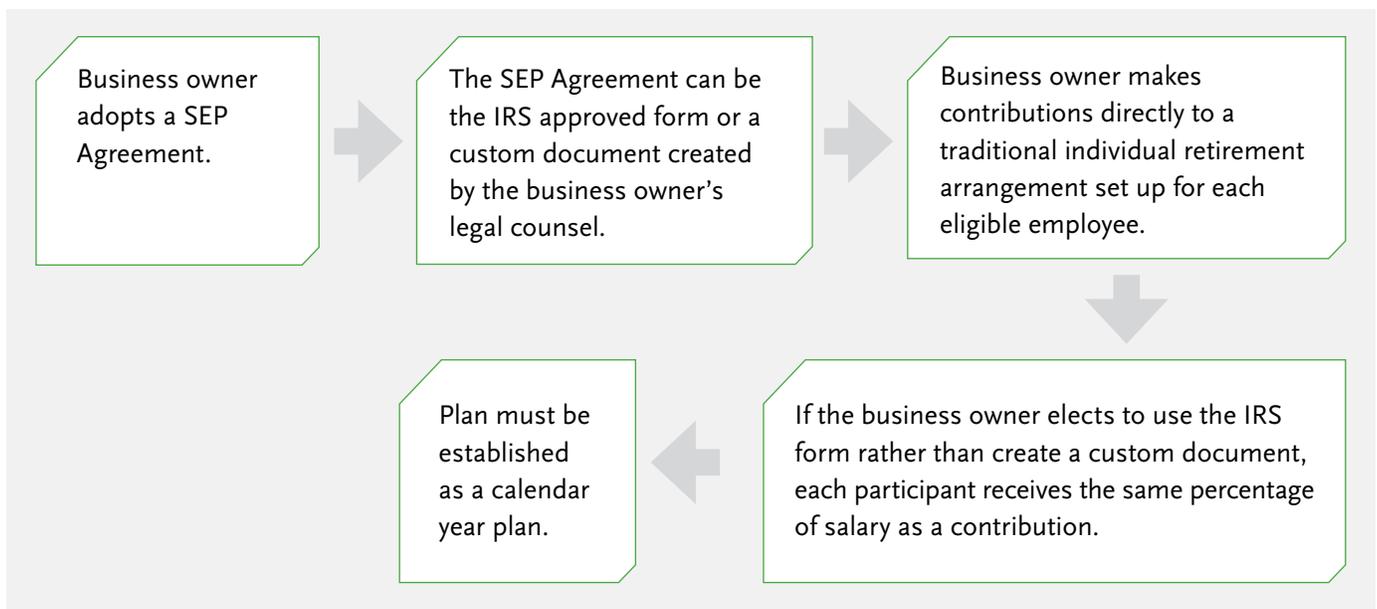


## Simplified Employee Pension (SEP-IRA)

A Simplified Employee Pension (SEP-IRA) is a plan that provides you with a simplified method to make contributions toward your own retirement as well as your employees' retirement.



### Advantages of this strategy:

- No third party administrator is required so there are no administrative fees or IRS filing fees to pay.
- No annual filing is required with the IRS or Department of Labor.

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If you are a business owner looking for a simple way to save for your own retirement, but also your employees' retirement ...

## A SEP-IRA may be the solution.

Here's how it works:

- You, as the business owner, make contributions to the financial institution where the SEP-IRA is maintained. But the SEP-IRA is owned and controlled by the employee.
- Contributions cannot exceed the lesser of 25% (or 20% of net earnings for self-employed individuals) of the employee's compensation or \$52,000 (2014). Compensation over \$260,000 cannot be considered when calculating the contribution limit for the employee, with \$52,000 being the maximum contribution for any employee.
- Eligible employees must be 21 years of age or older, have worked for you in at least three of the last five years, and received at least \$550 in compensation from you during the calendar year.
- These are maximum eligibility requirements, but you are allowed to use less restrictive eligibility requirements, if desired.
- There are three requirements to setting up the SEP:
  - A formal written agreement must be executed by you to provide benefits to all eligible employees.
  - Each eligible employee must receive certain information about the SEP.
  - The SEP must be set up by, and for, each eligible employee.
- The requirement of providing a formal written agreement to employees can be met by adopting the IRS model SEP using Form 5305-SEP. The form can be obtained from the IRS web site at [www.IRS.gov](http://www.IRS.gov).
- SEP-IRAs can be set up with banks, insurance companies, or other qualified financial institutions.
- Contributions do not have to be made every year. But, if contributions are made, they must be based on a written allocation formula and must not discriminate in favor of highly compensated employees.
- When a contribution is made, it must be made for all participants who have met the eligibility requirements and actually performed personal services during the year for which the contributions are made.
- Life insurance is not allowed in a SEP-IRA.
- Upon separation from service, the participant re-titles the IRA into their own name.

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This information is not intended as tax or legal advice. Please consult with your Attorney or Accountant prior to acting upon any of the information contained in this correspondence.

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