



SIMPLE IRA * SEP-IRA * SARSEP-IRA

Employer Booklet

Forms needed by an Employer to open a First Investors account for a:

- **SIMPLE IRA**
- **SEP-IRA**
- **SARSEP-IRA**

(Note: New SARSEP-IRA accounts can only be established by a trustee-to-trustee transfer of an existing SARSEP-IRA from another financial institution or the addition of a new participant to an existing SARSEP-IRA.)

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To Establish a First Investors SIMPLE IRA, SEP-IRA or SARSEP IRA

Please refer to pages 1, 2 and 3 of this booklet for the requirements to establish a First Investors SIMPLE IRA, SEP-IRA or SARSEP-IRA.

Mailing Address for All Completed Documents

Send to:

- Administrative Data Management Corp.
- Attention: New Accounts Department
- For Overnight Mail Use: Raritan Plaza I, 8th Floor, Edison, NJ 08837-3620
- For Regular Mail Use: P.O. Box 7837, Edison, NJ 08818-7837

Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA)

What is a SIMPLE IRA?

A SIMPLE IRA is a retirement plan established by an employer for its eligible employees. Form 5305-SIMPLE is completed by the employer and indicates the eligibility requirements for SIMPLE IRA participation.

Eligible employees are permitted to make salary reduction contributions. Mandatory matching or non-elective contributions are made by the employer. Unless contributions exceed the applicable limits, no current federal income tax is imposed on contributions or the earnings until they are withdrawn.

A SIMPLE IRA may be adopted by an employer that satisfies the following conditions:

- a. the employer currently maintains no other qualified employer retirement plan.
- b. the employer has 100 or fewer employees who earned \$5,000 or more in the immediately preceding calendar year.
- c. the employer is part of a group of entities under common control or part of an affiliated service group as such terms are defined by the Internal Revenue Code, unless all eligible employees of such related business entities were eligible to participate in the SIMPLE.

How is a SIMPLE IRA established?

An Employer may not maintain any other retirement plan during any part of the calendar year in addition to the SIMPLE IRA.

Employer Requirements:

The Employer must read and comply with the "Instructions to the Employer" found in Form 5305-SIMPLE.

In addition, the Employer must:

1. complete and sign Form 5305-SIMPLE. The Plan's effective date is generally January 1. However, if this is the first year for which the Employer is adopting a SIMPLE IRA, the Employer may insert any date between January 1 and October 1.
2. retain a completed copy of Form 5305-SIMPLE for its records.
3. distribute a copy of the completed Form 5305-SIMPLE to each eligible employee.
4. complete and sign the Company Profile Form and retain a copy for its records.
5. inform the employees that a SIMPLE IRA has been established. The Employer may use the Model Notification to Eligible Employees in this booklet.
6. obtain from each participating employee a completed and signed SIMPLE IRA Application. If the Employer is making a non-elective contribution, all eligible employees, including those not making contributions, must complete a SIMPLE IRA Application and First Investors Funds Account Application, unless one is already on file.
7. send to ADM a completed and originally signed copy of:
 - Form 5305-SIMPLE;
 - Company Profile;
 - SIMPLE IRA Application for each participant.
 - Family of First Investors Funds Application, unless one is already on file, for each participant.

Employee Requirements:

Each participating employee must complete, sign and submit a:

1. SIMPLE IRA Application.
2. Family of First Investors Funds Application, unless one is already on file.

Contributions must be made by the Employer in a form and manner acceptable to the Custodian or its agent, Administrative Data Management Corp. (ADM). If the contribution will be made by check, the check must be drawn on a U.S. bank and be made payable to First Investors Corporation FBO (Name of SIMPLE IRA) for the total SIMPLE IRA contribution. Each contribution must be accompanied by a remittance schedule indicating the name, social security number, salary deferral and employer contribution amounts for each participant. A SIMPLE IRA Remittance Schedule, as found in the Information Booklet, may be used for this purpose.

Simplified Employee Pension Individual Retirement Account (SEP-IRA)

What is a SEP-IRA?

A SEP-IRA is a retirement plan established by an eligible employer for its eligible employees. Form 5305-SEP is completed by the employer and indicates the eligibility requirements for SEP-IRA participation.

The employer may be able to take a deduction on its tax return for all or part of the amount contributed. Employees are not taxed on SEP-IRA contributions when they are made. SEP-IRA earnings grow tax-deferred, until withdrawn.

A First Investors SEP-IRA may be adopted by an employer that satisfies the following conditions:

- a. the employer currently maintains no other qualified employer retirement plan other than a SARSEP-IRA.
- b. the employer is not part of a controlled group of corporations, trades or businesses under common control, or part of an affiliated service group as such terms are defined by the Internal Revenue Code, unless all eligible employees of such related business entities are eligible to participate in the SEP-IRA.
- c. the employer does not have any leased employees as defined by the Internal Revenue Code.
- d. the employer establishes a SEP-IRA for each eligible employee.

A separate account is maintained for each SEP-IRA participant.

How is a SEP-IRA established?

Employer Requirements:

The Employer must read and comply with the "Instructions to the Employer" found in Form 5305-SEP.

In addition, the Employer must:

1. complete the eligibility requirements in both copies of Form 5305-SEP and sign on behalf of the Employer.
2. retain a completed copy of Form 5305-SEP for its records.
3. distribute a copy of the completed Form 5305-SEP to each eligible employee as well as the statements required under the **Completing the agreement** section of the "Instructions to the Employer."
4. inform the employees it has established a SEP-IRA.
5. obtain from each eligible employee a completed and signed SEP-IRA Application.
6. send to ADM a completed and originally signed copy of:
 - Form 5305-SEP;
 - SEP-IRA Application for each eligible employee.

Employee Requirements:

Each eligible employee must complete, sign and submit a:

1. SEP-IRA Application.
2. Family of First Investors Funds Application, unless one is already on file.

Contributions must be made by the Employer in a form and manner acceptable to the Custodian or its agent, Administrative Data Management Corp. (ADM). If the contribution will be made by check, the check must be drawn on a U.S. bank and be made payable to First Investors Corporation FBO (Name of SEP-IRA) for the total SEP-IRA contribution. Each contribution must be accompanied by a remittance schedule indicating the name, social security number and employer contribution amounts for each participant. A SEP-IRA/SARSEP-IRA Remittance Schedule, as found in the Information Booklet, may be used for this purpose.

Salary Reduction Simplified Employee Plan Individual Retirement Account (SARSEP-IRA)

What is a SARSEP-IRA?

A SARSEP-IRA is a retirement plan established by an eligible employer into which an eligible employee can elect to defer a portion of his or her salary. Form 5305A-SEP, completed by the employer, indicates the eligibility requirements for SARSEP-IRA participation.

No current federal income tax is imposed on the salary reduction contribution or the earnings, until withdrawn.

A SARSEP-IRA established prior to 1997 may continue to be maintained provided the employer satisfies the following conditions:

- a. the employer maintains no other qualified employer retirement plan other than a Simplified Employee Pension (SEP-IRA).
- b. the employer is not part of a controlled group of corporations, trades or businesses under common control, or part of an affiliated service group as such terms are defined by the Internal Revenue Code, unless all eligible employees of such related business entities are eligible to participate in the SARSEP-IRA.
- c. the employer is not a state or local government or a tax-exempt organization.
- d. the employer does not have any leased employees as defined by the Internal Revenue Code.
- e. at least 50% of the employer's eligible employees elected to have amounts contributed from their salaries into the SARSEP-IRA.
- f. during the prior calendar year, the employer never had more than 25 employees eligible to participate in the SARSEP-IRA, in total, of all the members of such groups, trades or businesses.
- g. the salary reduction contributions of highly compensated employees meet the SARSEP-IRA ADP test as described in the **excess SEP-IRA contributions - Deferral Percentage Limitation** section of the "Instructions for the Employer."

How is a SARSEP-IRA established?

As of January 1, 1997, new SARSEP-IRA accounts can only be established by a trustee-to-trustee transfer of an existing SARSEP-IRA from another financial institution or the addition of a new participant to an existing SARSEP-IRA.

Employer Requirements:

The Employer must read and comply with the "Instructions for the Employer" found in Form 5305A-SEP.

In addition, the Employer must:

1. complete and sign Form 5305A-SEP or, if applicable, any other IRS approved form used to establish the SARSEP-IRA prior to January 1, 1997.
2. obtain from each eligible employee a completed and signed SARSEP-IRA Application.
3. send to ADM a completed and originally signed copy of:
 - Form 5305A-SEP;
 - SARSEP-IRA Application for each eligible employee.

Employee Requirements:

Each participating employee must complete, sign and submit a:

1. SARSEP-IRA Application.
2. Family of First Investors Funds Account Application, unless one is already on file.

Contributions must be made by the Employer in a form and manner acceptable to the Custodian or its agent, Administrative Data Management Corp. (ADM). If the contribution will be made by check, the check must be drawn on a U.S. bank and be made payable to First Investors Corporation FBO (Name of SARSEP-IRA) for the total SARSEP-IRA contribution. Each contribution must be accompanied by a remittance schedule indicating the name, social security number and salary deferral amounts for each participant. A SEP-IRA/SARSEP-IRA Remittance Schedule, as found in the Information Booklet, may be used for this purpose.

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**Savings Incentive Match Plan for
Employees of Small Employers (SIMPLE)
(for Use With a Designated Financial Institution)**

**Do Not file with
the Internal
Revenue Service**

_____ establishes the following SIMPLE
Name of Employer
IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

Article I - Employee Eligibility Requirements (complete applicable box(es) and blanks - see instructions)

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE individual retirement account or annuity established at the designated financial institution (SIMPLE IRA) for each employee who meets the following requirements (select either 1a or 1b):
- a** **Full Eligibility.** All employees are eligible.
- b** **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
- (i) Current compensation.** Employees who are reasonably expected to receive at least \$ _____ in compensation (not to exceed \$5,000) for calendar year.
- (ii) Prior compensation.** Employees who have received at least \$ _____ in compensation (not to exceed \$5,000) during any _____ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
- 2 Excludable Employees**
- The Employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** This box is deemed checked if the Employer maintains a qualified plan covering only such employees.

Article II - Salary Reduction Agreements (complete the box and blank, if applicable - see instructions)

- 1 Salary Reduction Election.** An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year. See instructions.
- 2 Timing of Salary Reduction Elections**
- a** For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
- b** In addition to the election periods in 2a, eligible employees may make salary reduction elections or modify prior elections _____. If the Employer chooses this option, insert a period or periods (e.g., semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
- c** No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
- d** An employee may terminate a salary reduction election at any time during the calendar year. If this box is checked, an employee who terminates a salary reduction election not in accordance with 2b may not resume salary reduction contributions during the calendar year.

Article III - Contributions (complete the blank, if appropriate - see instructions)

- 1 Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 2 a Matching Contributions**
- (i)** For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
- (ii)** The Employer may reduce the 3% limit for the calendar year in (i) only if:
- (1)** The limit is not reduced below 1%; **(2)** The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and **(3)** Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- b Nonelective Contributions**
- (i)** For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \$ _____ (not more than \$5,000) in compensation for the calendar year. No more than \$230,000* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
- (ii)** For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
- (1)** Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
- (2)** This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- 3 Time and Manner of Contributions**
- a** The Employer will make the salary reduction contributions (described in 1 above) to the designated financial institution for the IRAs established under this SIMPLE IRA plan no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See instructions.
- b** The Employer will make the matching or nonelective contributions (described in 2a and 2b above) to the designated financial institution for the IRAs established under this SIMPLE IRA plan no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

*This is the amount for 2008. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet web site at www.irs.gov.

Article IV - Other Requirements and Provisions

- 1 Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, item 1) and matching or nonelective contributions (described in Article III, items 2a and 2b).
- 2 Vesting Requirements.** All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
- 3 No Withdrawal Restrictions.** The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA or otherwise impose any withdrawal restrictions.
- 4 No Cost Or Penalty For Transfers.** The Employer will not impose any cost or penalty on a participant for the transfer of the participant's SIMPLE IRA balance to another IRA.
- 5 Amendments To This SIMPLE IRA Plan.** This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
- 6 Effects Of Withdrawals and Rollovers**
- a An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA or eligible retirement plan after a 2-year period has expired since the individual first participated in any SIMPLE IRA plan of the Employer. Any rollover or transfer must comply with the requirements under section 408.
 - b If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.
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Article V - Definitions

- 1 Compensation**
- a **General Definition of Compensation.** Compensation means the sum of the wages, tips and other compensation from the Employer subject to federal income tax withholding (as described in section 6051(a)(3)), the amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, and the employee's salary reduction contributions made under this plan, and, if applicable, elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract and compensation deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described in section 6051(a)(8)).
 - b **Compensation for Self-Employed Individuals.** For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 2 Employee.** Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
- 3 Eligible Employee.** An eligible employee means an employee who satisfies the conditions in Article I, item 1 and is not excluded under Article I, item 2.
- 4 Designated Financial Institution.** A designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that receives all contributions made pursuant to the SIMPLE IRA plan and deposits those contributions to the SIMPLE IRA of each eligible employee.
-

Article VI - Procedures for Withdrawal

SIMPLE IRA Transfers:

In the event that an eligible employee participating in the plan wishes to transfer contributions (including both the employee's salary reduction contributions and any employer contributions made to the plan) to another IRA, without incurring any cost or penalty, the employee may notify Administrative Data Management Corp. ("ADM") when the employee initially establishes a SIMPLE IRA account, or at any other time, by using First Investors' SIMPLE IRA Designated Financial Institution Transfer Form.

ADM will process this transfer request on a monthly basis without cost or penalty provided the following requirements are met:

- a The contributions (including both the employee's salary reduction contributions and employer contributions made to the plan) being transferred have been invested in Class A shares of the First Investors Cash Management Fund;
- b The employee requests 100% of the balance of the Cash Management account to be transferred.

If the contribution to be transferred (including existing balances that may be transferred) was not invested in Class A shares of the First Investors Cash Management Fund, but in another investment for which a charge (either a sales charge, contingent deferred sales charge, surrender charge or other charge) ("Charge") was imposed, the transfer cannot be made without cost or penalty, and the Trustee is not obligated to refund such Charge. The election will continue in force until the employee revokes it by sending written notice to ADM.

SIMPLE IRA Withdrawals:

An eligible employee may redeem contributions (including both the employee's salary reduction contributions and any employer contributions made to the plan) at any time by submitting a completed IRA Distribution Request form to ADM. A signature guarantee may be required. If requesting a trustee to trustee transfer, the successor trustee may be required to supply custodial acceptance.

An IRS Form W-4P, signed by the eligible employee, is required unless a withholding election has been specified on the IRA Distribution Request Form. If no withholding election is made, ADM will withhold 10% on all distributions except trustee-to-trustee transfers. Notwithstanding the foregoing, any election to have no income tax withheld from a nonperiodic distribution will apply to all subsequent nonperiodic distributions until the eligible employee files a new withholding form. All distributions may be subject to IRS imposed tax and penalties, including, but not limited to a 25% premature distribution penalty if an exemption from such penalty is not available.

ADM will process the redemption on the business day that the request is received in good order as defined by the First Investors prospectus and Statement of Additional Information, which is available free of charge by calling Shareholder Services at 1 (800) 423-4026. The proceeds will generally be sent within seven business days (unless the funds are on 12 day hold).

Article VII - Effective Date

This SIMPLE IRA plan is effective _____ . See instructions.

* * * * *

Name of Employer

By: Signature

Date

Address of Employer

Name and Title

The undersigned agrees to serve as designated financial institution, receiving all contributions made pursuant to this SIMPLE IRA plan and depositing those contributions to the SIMPLE IRA of each eligible employee as soon as practicable. Upon the request of any participant and in accordance with the Procedures for Withdrawal set forth herein, the undersigned also agrees to transfer the participant's balance in a SIMPLE IRA established under this SIMPLE IRA plan to another IRA without cost or penalty to the participant.

Bank of New York Mellon
Name of Designated Financial Institution



William DeFabbia – Vice President

One Wall Street, 25th Floor, New York, NY 10286
Address

Model Notification to Eligible Employees

I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the _____ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue or change your salary reduction agreement.

II. Employer Contribution Election

For the _____ calendar year, the employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2) or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of _____ % (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to \$230,000*) if you are an employee who makes at least \$ _____ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to _____ (*employer should designate a place or individual*) by _____ (*employer should insert a date that is not less than 60 days after notice is given*).

Model Salary Reduction Agreement

I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of _____ (*name of employer*) I authorize _____ % or \$ _____ (which equals _____ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, _____.
(*Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.*)

IV. Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my Employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of employee _____ Date _____

* This is the amount for 2008. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS Web Site at www.irs.gov.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Form 5305-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use in combination with SIMPLE IRAs to establish a SIMPLE IRA plan described in section 408(p).

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are not intended to supersede any provision in the SIMPLE IRA plan.

Do not file Form 5305-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

Note: If you used the March 2002 or August 2005 version of Form 5305-SIMPLE to establish a model Savings Incentive Match Plan, you are not required to use this version of the form.

Instructions for the Employer

Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet both of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.

2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the

subject of good faith bargaining is disregarded if these employees are excluded from participating in the SIMPLE IRA plan.

If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 or 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE requirements. These are:

- (1) a controlled group of corporations under section 414(b);
- (2) a partnership or sole proprietorship under common control under section 414(c); or
- (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

What is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see *Employee Eligibility Requirements* below and *Contributions* on page 6). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the designated financial institution named in Article VII.

When to Use Form 5305-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

Do not use Form 5305-SIMPLE if:

1. You want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5304-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers

(SIMPLE) - Not For Use With A Designated Financial Institution.

2. You want employees who are nonresident aliens receiving no earned income from you that constitutes income from sources within the United States to be eligible under this plan; or

3. You want to establish a SIMPLE 401(k) plan.

Completing Form 5305-SIMPLE

Pages 1, 2 and 3 of Form 5305-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all appropriate boxes and blanks and it has been executed by you and the designated financial institution.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this plan.

Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert "\$5,000" or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Article I, item 2. Under certain circumstances, these employees must be excluded. See *Which Employers May Establish and Maintain a SIMPLE IRA Plan?* earlier.

Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, a salary reduction agreement permits an eligible employee to make an election to have his or her compensation for each pay period reduced by a percentage (expressed as a

percentage or dollar amount). The total amount of the reduction in the employee's compensation cannot exceed the applicable amount for any calendar year. The applicable amount is \$10,500 for 2008. After 2008, the \$10,500 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older by the end of the calendar year, the above limitation is increased by \$2,500 for 2008. After 2008, the \$2,500 amount may be increased for cost-of-living adjustments.

Timing of Salary Reduction Elections

For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the *Model Salary Reduction Agreement* on Page 4 to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

Salary Reduction Contributions

As indicated in Article III, item 1, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the designated financial institution for the employee's SIMPLE IRA.

Matching Contributions

In general, you must contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. This matching contribution cannot exceed 3% of the employee's compensation. See *Definition of Compensation*, below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

Note: If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See *Timing of Salary Reduction Elections* above.

Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$230,000* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See *Timing of Salary Reduction Elections* above.

Note: Insert "\$5,000" in Article III, item 2b(i) to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

Effective Date (Article VII)

Insert in Article VII, the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

Additional Information

Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the designated financial institution for the SIMPLE IRAs of all eligible employees no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations, at 29 CFR 2510.3-102, salary reduction contributions must be made to the SIMPLE IRA at the designated financial institution as of the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described above.

Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a), and amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority). Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. For further information, see Pub. 15, Circular E, Employer's Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

Employee Notification

You must notify eligible employees prior to the employees' 60-day election period described above that they can make or change salary reduction elections. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees' salary reduction contributions up to a limit of 3% of their compensation;

2. A matching contribution equal to your employees' salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or

3. A nonelective contribution equal to 2% of your employees' compensation.

You can use the *Model Notification to Eligible Employees* on page 4 to satisfy these employee notification requirements for this SIMPLE IRA plan. A Summary Description must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of pages 1, 2 and 3 of Form 5305-SIMPLE (including the Article VI Procedures for Withdrawals and Transfers from the SIMPLE IRAs established under this SIMPLE IRA plan).

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Form 5500, Annual Return/Report of Employee Benefit Plan or Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees' salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, Medicare, railroad retirement, and federal unemployment tax.

Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made.

Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

Choosing the Designated Financial Institution

As indicated in Article V, item 4, a designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that would receive all contributions made pursuant to the SIMPLE IRA plan and deposit the contributions to the SIMPLE IRA of each eligible employee.

Only certain financial institutions, such as banks, savings and loan associations, insured credit unions, insurance companies (that issue annuity contracts), or IRS-approved nonbank trustees may serve as a designated financial institution under a SIMPLE IRA plan.

You are not required to choose a designated financial institution for your SIMPLE IRA plan. However, if you do not want to choose a designated financial institution, you cannot use this form (see *When to Use Form 5305-SIMPLE* on page 5).

Instructions for the Designated Financial Institution

Completing Form 5305-SIMPLE

By completing Article VII, you have agreed to be the designated financial institution for this SIMPLE IRA plan. You agree to maintain IRAs on behalf of all individuals receiving contributions under the plan and to receive all contributions made pursuant to this plan and to deposit those contributions to the SIMPLE IRAs of each eligible employee as soon as practicable. You also agree that upon the request of a participant, you will transfer the participant's balance in a SIMPLE IRA to another IRA without cost or penalty to the participant.

Summary Description

Each year the SIMPLE IRA plan is in effect, you must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5305-SIMPLE (including instructions) together with your procedures for withdrawals and transfers from the SIMPLE IRAs established under this SIMPLE IRA plan. The summary description must be received by the employer in sufficient time to comply with the *Employee Notification* requirements on pages 6 and 7.

If you fail to provide the summary description described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

Paperwork Reduction Act Notice

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping..... 3 hr., 38 min.

Learning about the

law or the form..... 2 hr., 26 min.

Preparing the form 47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE: W: CAR: MP: T:T: SP, 1111 Constitution Avenue, NW, IR-6526, Washington, DC 20224. Do Not send this form to this address. Instead, keep it for your records.

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Company Profile

Instructions: Employer must send the completed copy of this form with IRS Form 5305-SIMPLE to ADM. Employer must also send SIMPLE IRA Application completed and signed by each participating employee to ADM. Employer should keep a copy for its records. All sections must be completed.



A. Employer Information

Employer Name (print)	Taxpayer Identification Number	Date Company Established
Employer Address (street, city, state, zip code)		Type of Business
Name of Contact Person	Contact's Telephone Number	Best Time To Call

- Do you currently contribute to another employer-sponsored retirement plan (e.g., Keogh, 401(k), profit sharing plan, money purchase plan, defined benefit plan, 403(b) or SEP-IRA)? YES NO

If you check the "YES" box, you should not open this SIMPLE IRA without first consulting your tax advisor to ensure that you are eligible to do so. Contributions cannot be made to this SIMPLE-IRA for any year in which contributions are made to or benefits accrued under another employer-sponsored retirement plan.

B. Authorizations

First Investors Corporation, its affiliates, and all of its and their officers, directors, employees, representatives and agents ("First Investors") and the Custodian are hereby authorized to accept orders and all other instructions from any one of the Authorized Individuals named below unless one of the following boxes is checked:

- All Authorized Individuals must authorize an instruction.
- _____ of the Authorized Individuals must authorize any instruction.
(Designate # above)

Such authorization will remain in effect until written notice from any of the Authorized Individuals modifying or revoking such authority granted hereunder is received by First Investors.

The SIMPLE-IRA Employer named above, and the Authorized Individuals, individually and jointly, shall hold harmless, indemnify and defend the Custodian and First Investors from and against any claims, losses, expenses, costs, damages or liabilities (including reasonable attorneys' fees and expenses) resulting in whole or in part, directly or indirectly, from their reliance on information in this Company Profile, resolutions, certifications, and supporting documentation without any further inquiry.

C. Certifications and Agreements

INVESTMENT CERTIFICATIONS: Each of the Authorized Individuals certify that: (a) the Employer has consulted with its tax advisor to ensure that the Employer is eligible to establish a SIMPLE IRA; (b) the Employer is eligible to establish a SIMPLE IRA; (c) he/she is authorized to act on behalf of the Employer; (d) the Custodian and First Investors are authorized and directed to rely on information in the Company Profile, as well as in resolutions, certifications and other documentation provided by the Employer; (e) if there is a change in the Employer Information, the Employer will notify First Investors as soon as possible in a manner acceptable to First Investors; (f) if there is a change in the Authorized Individuals, the Employer will notify First Investors as soon as possible by completing a new Company Profile and submitting it to First Investors; and (g) the above information is true and correct and will remain in effect until First Investors is advised otherwise.

OUR PRIVACY POLICY: Your privacy is important to us. We obtain personal information about you for the purposes of processing transactions in securities and insurance products in accordance with your instructions, servicing your accounts, and satisfying legal and regulatory requirements. The personal information we typically obtain includes your name, address, occupation, age, social security number, financial resources, investment objectives, and accounts with other institutions. If you purchase life insurance through us, we will also obtain information concerning your medical history, credit history and driving record. We collect information about you from a variety of sources, including forms and applications that you provide to us, information that you provide to your Representative, account records we receive as your dealer of record or agent, and information that is furnished to us by health care providers, clinics, other insurance companies, the Medical Information Bureau, and information and consumer credit reporting agencies.

We maintain physical, electronic and procedural safeguards to protect your information. We restrict access to your information to only those employees who need to know that information to provide our products or services to you and provide training to our employees regarding the proper handling of personal information. We share your personal information with our affiliated companies when it is necessary to process your transactions, service your accounts, or maintain your records. We also share your information with third parties who need such information in order to process your transactions, service your accounts, or maintain your records. We do not share any information about our current and former customers with anyone except as required or permitted by law or with your consent. Nor do we share your personal information with our affiliates or with unaffiliated third parties for their use in marketing their products or services.

TAXPAYER CERTIFICATION: The Internal Revenue Service ("IRS") does not require your consent to any provision of this document other than the certification required to avoid backup withholding. Under penalty of perjury, we certify that (1) the number shown on this form is the correct taxpayer identification number (or we are awaiting a number to be issued to us) and (2) we are not subject to backup withholding because (A) we are exempt from backup withholding, or (B) we have not been notified by the IRS that we are subject to backup withholding, or (C) the IRS has notified us that we are no longer subject to backup withholding, and (3) we are U.S. persons (or other U.S. persons). You must strike out (2) above if you are subject to backup withholding. If you are claiming exemption as a non-resident alien, you should check this box and attach an IRS Form W-8BEN to this form.

Continued on next page.

C. Certifications and Agreements (continued)

PRE-DISPUTE ARBITRATION NOTICE. This Company Profile contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

- (a) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- (b) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- (c) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- (d) The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- (e) The panel of arbitrators will typically include a minority of arbitrators who were, or are, affiliated with the securities industry.
- (f) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- (g) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

PRE-DISPUTE ARBITRATION CLAUSE: You agree to submit to binding arbitration any claim of any nature whatsoever (including any claim for damages, equitable relief, declarative relief or any other form of relief) that you may have against us, irrespective of the nature of the claim, whether it arises from events that occur before or after the date that you sign your Master Account Agreement, whether it involves proprietary or non-proprietary products or services, and whether or not it involves investments, insurance, or general brokerage services. Your agreement to arbitrate covers not only any claim against First Investors Corporation but also any claim against our parent company, our corporate affiliates, the First Investors funds, the transfer agent of the funds, and our and their respective officers, directors, employees, agents, and representatives. You also agree to submit to binding arbitration any controversy or dispute over the arbitrability of any claim. Conversely, we agree to submit to binding arbitration any dispute that we may have with you. Any arbitration between us shall be submitted to, and conducted under the rules of, the Financial Industry Regulatory Authority ("FINRA"), or any successor national securities exchange or organization of which we are a member. If such claim is not eligible for arbitration under FINRA's rules, or the rules of any successor organization of which we are a member, the claim will be conducted by, and according to the applicable rules of, the American Arbitration Association (or its successor). You agree that this agreement to arbitrate shall be effective upon your signing of your Master Account Agreement, that it shall apply even if your Master Account is not opened or is rejected, and that it shall survive the termination of your relationship with First Investors Corporation, the redemption or surrender of any investments that we offer or service, and the transfer of any investment or account to another broker-dealer. This agreement to arbitrate shall also be binding upon and inure to the benefit of your and our successors and assigns, your and our legal representatives, and any other parties claiming to have a legal interest in the subject of any investment or account that is covered by your Master Account Agreement.

D. Signature(s) AT LEAST ONE SIGNATURE MUST BE THE EMPLOYER. SIGNATURES OF ALL AUTHORIZED INDIVIDUALS REQUIRED. IF THE EMPLOYER IS ALSO AN AUTHORIZED INDIVIDUAL, THE EMPLOYER MUST SIGN IN BOTH PLACES.

EMPLOYER

Print Name of Employer for SIMPLE IRA _____ Title _____

SG denotes a signature guarantee is required.

X _____ **SG**
Signature of Employer for SIMPLE IRA Date

Affix Medallion Signature Guarantee Here, If Required:
Stamps qualified for a specific date and/or individual, or altered in any manner, may not be accepted.

AUTHORIZED INDIVIDUALS

Print Name of Authorized Individual for SIMPLE IRA _____ Title _____

X _____ **SG**
Signature of Authorized Individual for SIMPLE IRA Date

Print Name of Authorized Individual for SIMPLE IRA _____ Title _____

X _____ **SG**
Signature of Authorized Individual for SIMPLE IRA Date

I CERTIFY THAT ALL SIGNATURES THAT REQUIRE A SIGNATURE GUARANTEE ON THIS FORM ARE GENUINE.				
Reg. Rep # _____	Office # _____	Registered Representative's Name (print) _____	Registered Representative's Signature _____	Date _____
Principal # _____	Principal's Name (print) _____	Principal's Signature _____	Date _____	

SIMPLE IRA Remittance Schedule

- ◆ A completed Form 5305-SIMPLE must be on file with ADM.
- ◆ A SIMPLE IRA Application must be on file with ADM for each participant named on the Remittance Schedule.
- ◆ Contributions must either be accompanied by a copy of this Remittance Schedule or another format providing the information requested below: Employer's name, Participant's name and social security number and amount of salary deferrals and employer contributions to be allocated to each participant.
- ◆ Employer must send ADM a check drawn on a U.S. bank made payable to First Investors Corporation.

Employer Name _____

Employer Telephone Number _____

If an employee wishes to change his/her fund allocation, he/she can call Shareholder Services at 1 (800) 423-4026 or submit to ADM a signed letter of instruction. **Do Not Use This Schedule To Change Employee Investment Allocations.**

Name of Participant	Social Security Number	Amount of Employer Contribution	Amount of Salary Deferral	Contribution For Tax Year
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
Attach additional sheets, if needed.				
Total Contribution Enclosed		\$ _____	\$ _____	

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**Simplified Employee Pension—Individual
Retirement Accounts Contribution Agreement****(Under section 408(k) of the Internal Revenue Code)****Do not file
with the Internal
Revenue Service**

_____ makes the following agreement under section 408(k) of the Internal Revenue Code and the instructions to this form.
(Name of employer)

Article I—Eligibility Requirements (check applicable boxes—see instructions)

The employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least _____ years old (not to exceed 21 years old) and have performed services for the employer in at least _____ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) includes **does not** include employees covered under a collective bargaining agreement, includes **does not** include certain nonresident aliens, and includes **does not** include employees whose total compensation during the year is less than \$450*.

Article II—SEP Requirements (see instructions)

The employer agrees that contributions made on behalf of each eligible employee will be:

- A.** Based only on the first \$205,000* of compensation.
- B.** The same percentage of compensation for every employee.
- C.** Limited annually to the smaller of \$41,000* or 25% of compensation.
- D.** Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract).

Employer's signature and date_____
Name and title**Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408(k).

Do not file Form 5305-SEP with the IRS. Instead, keep it with your records.

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

Instructions to the Employer

Simplified employee pension. A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408(c).

When not to use Form 5305-SEP. Do not use this form if you:

1. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
2. Have any eligible employees for whom IRAs have not been established.
3. Use the services of leased employees (described in section 414(n)).
4. Are a member of an affiliated service group (described in section 414(m)), a controlled group of corporations (described in section 414(b)), or trades or businesses under common control (described in sections 414(c) and 414(o)), unless all eligible employees of all the members of such groups, trades, or businesses participate in the SEP.
5. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a nonmodel SEP.

Note. SEPs permitting elective deferrals cannot be established after 1996.

Eligible employees. All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed "service" for you in at least 3 of the immediately preceding 5 years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

Excludable employees. The following employees do not have to be covered by the

SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450* in compensation during the year.

Contribution limits. You may make an annual contribution of up to 25% of the employee's compensation or \$41,000*, whichever is less. Compensation, for this purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$205,000*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$41,000* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA).

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees.

Deducting contributions. You may deduct contributions to a SEP subject to the limits of section 404(h). This SEP is maintained on a calendar year basis and contributions to the

* For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at www.irs.gov.

SEP are deductible for your tax year with or within which the calendar year ends. Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

Completing the agreement. This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- You have completed all blanks on the agreement form without modification; and
- You have given all your eligible employees the following information:

1. A copy of Form 5305-SEP.
2. A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
3. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
4. A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in *Instructions to the Employer and Information for the Employee*, are not required to file the annual information returns, Forms 5500 or 5500-EZ for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

Information for the Employee

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information, see Pub. 590.

Simplified employee pension. A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (traditional IRA). Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$205,000*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

Contribution limits. Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$41,000* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

Tax treatment of contributions. Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

Employee contributions. You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

SEP participation. If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

SEP-IRA amounts—rollover or transfer to another IRA. You can withdraw or receive funds from your SEP-IRA if, within 60 days of receipt, you place those funds in the same or another IRA. This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

Withdrawals. You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals

occur before you reach age 59½, you may be subject to a tax on early withdrawal.

Excess SEP contributions. Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

Financial institution requirements. The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
 2. The tax consequences of various options concerning your IRA.
 3. Participation eligibility rules, and rules on the deductibility of retirement savings.
 4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
 5. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
 6. Financial disclosure that provides the following information:
 - a. Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
 - b. Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
 - c. States the sales commission for each year expressed as a percentage of \$1,000.
- In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.

Paperwork Reduction Act Notice. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 40 min.
Learning about the law or the form	1 hr., 35 min.
Preparing the form	1 hr., 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.

**Simplified Employee Pension—Individual
Retirement Accounts Contribution Agreement****(Under section 408(k) of the Internal Revenue Code)****Do not file
with the Internal
Revenue Service**

_____ makes the following agreement under section 408(k) of the Internal Revenue Code and the instructions to this form.
(Name of employer)

Article I—Eligibility Requirements (check applicable boxes—see instructions)

The employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least _____ years old (not to exceed 21 years old) and have performed services for the employer in at least _____ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) includes **does not** include employees covered under a collective bargaining agreement, includes **does not** include certain nonresident aliens, and includes **does not** include employees whose total compensation during the year is less than \$450*.

Article II—SEP Requirements (see instructions)

The employer agrees that contributions made on behalf of each eligible employee will be:

- A.** Based only on the first \$205,000* of compensation.
- B.** The same percentage of compensation for every employee.
- C.** Limited annually to the smaller of \$41,000* or 25% of compensation.
- D.** Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract).

Employer's signature and date_____
Name and title**Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408(k).

Do not file Form 5305-SEP with the IRS. Instead, keep it with your records.

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

Instructions to the Employer

Simplified employee pension. A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408(c).

When not to use Form 5305-SEP. Do not use this form if you:

1. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
2. Have any eligible employees for whom IRAs have not been established.
3. Use the services of leased employees (described in section 414(n)).
4. Are a member of an affiliated service group (described in section 414(m)), a controlled group of corporations (described in section 414(b)), or trades or businesses under common control (described in sections 414(c) and 414(o)), unless all eligible employees of all the members of such groups, trades, or businesses participate in the SEP.
5. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a nonmodel SEP.

Note. SEPs permitting elective deferrals cannot be established after 1996.

Eligible employees. All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed "service" for you in at least 3 of the immediately preceding 5 years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

Excludable employees. The following employees do not have to be covered by the

SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450* in compensation during the year.

Contribution limits. You may make an annual contribution of up to 25% of the employee's compensation or \$41,000*, whichever is less. Compensation, for this purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$205,000*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$41,000* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA).

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees.

Deducting contributions. You may deduct contributions to a SEP subject to the limits of section 404(h). This SEP is maintained on a calendar year basis and contributions to the

* For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at www.irs.gov.

SEP are deductible for your tax year with or within which the calendar year ends. Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

Completing the agreement. This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- You have completed all blanks on the agreement form without modification; and
- You have given all your eligible employees the following information:

1. A copy of Form 5305-SEP.
2. A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
3. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
4. A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in *Instructions to the Employer and Information for the Employee*, are not required to file the annual information returns, Forms 5500 or 5500-EZ for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

Information for the Employee

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information, see Pub. 590.

Simplified employee pension. A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (traditional IRA). Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$205,000*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

Contribution limits. Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$41,000* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

Tax treatment of contributions. Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

Employee contributions. You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

SEP participation. If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

SEP-IRA amounts—rollover or transfer to another IRA. You can withdraw or receive funds from your SEP-IRA if, within 60 days of receipt, you place those funds in the same or another IRA. This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

Withdrawals. You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals

occur before you reach age 59½, you may be subject to a tax on early withdrawal.

Excess SEP contributions. Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

Financial institution requirements. The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
 2. The tax consequences of various options concerning your IRA.
 3. Participation eligibility rules, and rules on the deductibility of retirement savings.
 4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
 5. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
 6. Financial disclosure that provides the following information:
 - a. Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
 - b. Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
 - c. States the sales commission for each year expressed as a percentage of \$1,000.
- In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.

Paperwork Reduction Act Notice. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	1 hr., 40 min.
Learning about the law or the form	1 hr., 35 min.
Preparing the form	1 hr., 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.

**Salary Reduction Simplified Employee Pension—
Individual Retirement Accounts
Contribution Agreement**

**Do not file
with the Internal
Revenue Service**

Department of the Treasury
Internal Revenue Service

(Under section 408(k) of the Internal Revenue Code)

_____ amends its salary reduction SEP by adopting the following Model Salary Reduction
Name of employer SEP under Internal Revenue Code section 408(k) and the instructions to this form.

Note: An employer may not establish a salary reduction SEP after 1996.

Article I—Eligibility Requirements (check applicable boxes—see instructions)

Provided the requirements of Article III are met, the employer agrees to permit elective deferrals to be made in each calendar year to the individual retirement accounts or individual retirement annuities (IRAs), established by or for all employees who are at least _____ years old (not to exceed 21 years) and have performed services for the employer in at least _____ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) includes **does not** include employees covered under a collective bargaining agreement, includes **does not** include certain nonresident aliens, and includes **does not** include employees whose total compensation during the year is less than \$450*.

Article II—Elective Deferrals (see instructions)

A. Salary Reduction Amount. An eligible employee may elect to have his or her compensation reduced by a specified percentage or amount per pay period, as designated in writing to the employer.

B. Timing of Elective Deferrals. No deferral election may be based on compensation an eligible employee received, or had a right to receive, before execution of the deferral election.

Article III—SEP Requirements (see instructions)

The employer agrees that each employee's elective deferrals to the SEP will be:

A. Based only on the first \$220,000* of compensation.

B. Limited annually to the smaller of: **(1)** 25% of compensation; **or (2)** the section 402(g) limit for the tax year.

C. Limited further, under section 415, if the employer makes nonelective contributions to this or another SEP.

D. Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract) or, if necessary, an IRA established for an employee by the employer.

E. Made only if at least 50% of the employer's employees eligible to participate elect to have amounts contributed to the SEP. If the 50% requirement is not satisfied as of the end of any calendar year, then all of the elective deferrals made by the employees for that calendar year will be considered "disallowed deferrals" (IRA contributions that are not SEP-IRA contributions).

F. Made only if the employer had 25 or fewer employees eligible to participate at all times during the prior calendar year.

G. Adjusted only if deferrals to this SEP for any calendar year do not meet the "deferral percentage limitation" described on page 3.

Article IV—Excess SEP Contributions (see instructions)

Elective deferrals by a "highly compensated employee" must satisfy the deferral percentage limitation under section 408(k)(6)(A)(iii). Amounts in excess of this limitation will be deemed excess SEP contributions for the affected highly compensated employee or employees.

Article V—Notice Requirements (see instructions)

A. The employer will notify each highly compensated employee, by March 15 following the end of the calendar year to which any excess SEP contributions relate, of the excess SEP contributions to the highly compensated employee's SEP-IRA for the applicable year. The notification will specify the amount of the excess SEP contributions, whether they must be withdrawn, the calendar year in which any excess contributions are includible in income, and must provide an explanation of applicable penalties if the excess contributions that must be withdrawn are not withdrawn on time.

B. The employer will notify each employee who makes an elective deferral to a SEP that, until March 15 after the year of the deferral, any transfer or distribution from that employee's SEP-IRA of SEP contributions (or income on these contributions) attributable to elective deferrals made that year will be includible in income for purposes of sections 72(t) and 408(d)(1).

C. The employer will notify each employee by March 15 of each year of any disallowed deferrals to the employee's SEP-IRA for the preceding calendar year. Such notification will specify the amount of the disallowed deferrals and the calendar year in which those deferrals are includible in income and must provide an explanation of applicable penalties if the disallowed deferrals are not withdrawn on time.

Article VI—Top-Heavy Requirements (see instructions)

A. Unless paragraph B is checked, the employer will satisfy the top-heavy requirements of section 416 by making a minimum contribution each year to the SEP-IRA of each employee eligible to participate in this SEP (other than a key employee as defined in section 416(i)). This contribution, in combination with other nonelective contributions, if any, is equal to the smaller of 3% of each eligible nonkey employee's compensation or a percentage of such compensation equal to the percentage of compensation at which elective (not including catch-up elective deferral contributions) and nonelective contributions are made under this SEP (and any other SEP maintained by the employer) for the year for the key employee for whom such percentage is the highest for the year.

* This is the amount for 2006. For later years, the limit may be increased for cost-of-living adjustments. Increases, if any, to the amounts in this form that are subject to cost-of-living adjustments (COLAs), are announced by the IRS in a news release, in the Internal Revenue Bulletin, and on the IRS website at www.irs.gov.

Article VI—Top-Heavy Requirements *(continued)*

B. The top-heavy requirements of section 416 will be satisfied through contributions to nonkey employees' SEP-IRAs under this employer's other SEP.

C. To satisfy the minimum contribution requirement under section 416, all nonelective SEP contributions will be taken into account but elective deferrals will not be taken into account.

Article VII—Effective Date (see instructions)

This SEP will be effective upon adoption and establishment of IRAs for all eligible employees.

Employer's signature

Date

Name and title

Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Form 5305A-SEP is a model salary reduction simplified employee pension (SEP) used by an employer to permit employees to make elective deferrals to a SEP described in section 408(k).

Do not file Form 5305A-SEP with the IRS. Instead, keep it with your records.

Note: SEPs permitting elective deferrals cannot be established after 1996. If you established a SEP before 1997 that permitted elective deferrals, under current law you may continue to maintain such SEP for years after 1996.

If you used the March 2002 version of Form 5305-A SEP for your SEP, you are not required to use this version of the form.

Instructions for the Employer
What Is A SEP?

A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions towards your employees' retirement income. Under a salary reduction SEP, employees may choose whether or not to make elective deferrals to the SEP or to receive the amounts in cash. If elective deferrals are made, you contribute the amounts deferred by your employees directly into a traditional individual retirement arrangement (traditional IRA) set up by or for each employee with a bank, insurance company, or other qualified financial institution. The traditional IRA, established by or for an employee, must be one for which the IRS has issued a favorable opinion letter or a model traditional IRA published by the Service as Form 5305, Traditional Individual Retirement Trust Account, or Form 5305-A, Traditional Individual Retirement Custodial Account. It cannot be a SIMPLE IRA (an IRA designed to accept contributions made under a SIMPLE IRA Plan described in section 408(p)) or a Roth IRA. Adopting Form 5305A-SEP does not establish an employer IRA described in section 408(c).

The information provided below is intended to help you understand and administer the elective deferral rules of your SEP.

When To Use Form 5305A-SEP

Use this form only if you intend to permit elective deferrals to a SEP. If you want to establish a SEP to which nonelective employer contributions may be made, use Form

5305-SEP, Simplified Employee Pension—Individual Retirement Accounts Contribution Agreement, or a nonmodel SEP instead of, or in addition to, this form.

Do not use Form 5305A-SEP if you:

1. Have any leased employees as defined in section 414(n)(2).
2. Currently maintain any other qualified retirement plan. This does not prevent you from also maintaining a Model SEP (Form 5305-SEP) or other SEP to which either elective or nonelective contributions are made.
3. Have more than 25 employees eligible to participate in the SEP at any time during the prior calendar year. If you are a member of one of the groups described in paragraph 2 under *Excess SEP Contributions—Deferral Percentage Limitation* on page 3, you may use this SEP only if in the prior year there were never more than 25 employees eligible to participate in this SEP, in total, of all the members of such groups, trades, or businesses. In addition, all eligible employees of all the members of such groups, trades, or businesses must be eligible to make elective deferrals to this SEP.
4. Are a state or local government or a tax-exempt organization.

Completing the Agreement

This SEP agreement is considered adopted when:

1. You have completed all blanks on the form.
2. You have given all eligible employees the following information:
 - a. A copy of Form 5305A-SEP. Any individual who in the future becomes eligible to participate in this SEP must be given Form 5305A-SEP, upon becoming an eligible employee.
 - b. A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
 - c. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
 - d. A statement that the administrator will give written notification to each participant of any employer contributions made under the

SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a salary reduction SEP using Form 5305A-SEP and have provided each participant a copy of the completed Form 5305A-SEP and the other documents and disclosures described in *Instructions for the Employer* and *Instructions for the Employee*, are not required to file the annual information returns, Forms 5500 or 5500-EZ, for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulations at 29 CFR 2520.104-49.

Forms and Publications You May Use

An employer may need to use any of the following forms or publications:

- Form W-2, Wage and Tax Statement.
- Form 5330, Return of Excise Taxes Related to Employee Benefit Plans. Employers who are liable for the 10% tax on excess contributions use this form to pay the excise tax.
- Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).
- Pub. 590, Individual Retirement Arrangements (IRAs).

Deducting Contributions

You may deduct, subject to any applicable limits, contributions made to a SEP. This SEP is maintained on a calendar year basis, and contributions to the SEP are deductible for your tax year with or within which the particular calendar year ends. See section 404(h). Contributions made for a particular tax year and contributed by the due date of your income tax return, including extensions, are deemed made in that tax year and the contributions are deductible if they would otherwise be deductible had they actually been contributed by the end of that tax year. See Rev. Rul. 90-105, 1990-2 C.B. 69. However, the deductibility of your contributions may be limited if the

contributions are excess contributions. See *Excess SEP Contributions—Deferral Percentage Limitation* on page 3 and the *Deferral Percentage Limitation Worksheet* on page 8.

Effective Date

Insert the date the provisions of this agreement are effective.

Eligible Employees

All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed “service” for you in at least 3 of the immediately preceding 5 years.

You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service means any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

Excludable Employees

The following employees do not have to be covered by the SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450 (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments) in compensation during the year.

Elective Deferrals

You may permit your employees to make elective deferrals through salary reduction that, at the employee’s option, may be contributed to the SEP or received by the employee in cash during the year.

Notwithstanding any limit in Article IIIB(1) or IIIC, an eligible employee who is 50 or older before the end of the calendar year can defer an additional amount of compensation during the year up to the catch-up elective deferral contribution limit (see *Section 402(g) Limit* below).

You must inform your employees how they may make, change, or terminate elective deferrals. You must also provide a form on which they may make their deferral elections. You may use the *Model Salary Reduction SEP Deferral Form* (elective form) on page 5, or a form that explains the information contained in this form in a way that is written to be understood by the average plan participant.

SEP Requirements

- Elective deferrals may not be based on more than \$220,000 of compensation (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments).

Compensation, for purposes other than the \$450 rule (see *Excludable Employees* above), is defined as wages under section 3401(a) for income tax withholding at the source but without regard to any rules that limit the remuneration included in wages based on the

nature or location of the employment or the services performed (such as the exception for agricultural labor in section 3401(a)(2)). Compensation also includes earned income under section 401(c)(2). Compensation does not include any employer SEP contributions, including elective deferrals. Compensation, for purposes of the \$450 rule, is the same, except it includes deferrals made to this SEP and any amount not includible in gross income under section 125 or section 132(f)(4).

- The maximum an employee may elect to defer under this SEP for a year is the smaller of 25% of the employee’s compensation or the limitation under section 402(g), as explained below.

Note: The deferral limit is 25% of compensation (minus any employer SEP contributions, including elective deferrals). Compute this amount using the following formula: Compensation (before subtracting employer SEP contributions) × 20%.

- If you make nonelective contributions to this SEP for a calendar year, or maintain any other SEP to which contributions are made for that calendar year, then contributions to all such SEPs may not exceed the smaller of \$44,000 (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments) or 25% of compensation for any employee.

- Catch-up elective deferral contributions (see *Section 402(g) Limit* below) are not subject to the 25% limit.

Section 402(g) Limit

Section 402(g) limits the maximum amount of compensation an employee may elect to defer under a SEP (and certain other arrangements) during the calendar year. This limit is \$15,000 for 2006 and later years. After 2006, the \$15,000 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older before the end of the calendar year, an additional amount of compensation (“catch-up elective deferral contributions”) may be deferred during the year. The limit on catch-up elective deferral contributions is \$5,000 for 2006 and later years. After 2006, the \$5,000 amount may be increased for cost-of-living adjustments.

Excess Elective Deferrals

Amounts deferred for a year in excess of the section 402(g) limit are considered “excess elective deferrals” and are subject to the rules described below.

The limit applies to the total elective deferrals the employee makes for the calendar year, from all employers, under the following arrangements:

- Salary reduction SEPs under section 408(k)(6);
- Cash or deferred arrangements under section 401(k);
- Salary reduction arrangements under section 403(b); and
- SIMPLE IRA Plans under section 408(p).

Thus, an employee may have excess elective deferrals even if the amount deferred under this SEP alone does not exceed the section 402(g) limit.

If an employee who elects to defer compensation under this SEP and any other

SEP or arrangement has made excess elective deferrals for a calendar year, the employee must withdraw those deferrals by April 15 following the calendar year to which the deferrals relate. Deferrals not withdrawn by April 15 will be subject to the IRA contribution limits of sections 219 and 408 and may be considered excess contributions to the employee’s IRA. For the employee, these excess elective deferrals are subject to a 6% tax on excess contributions under section 4973. Income on excess elective deferrals is includible in the employee’s income in the year it is withdrawn from the IRA. The income must be withdrawn by April 15, following the calendar year for which the deferrals were made. If the income is withdrawn after that date and the recipient is not 59½ years of age, it may be subject to the 10% tax on early distributions under section 72(t).

Excess SEP Contributions—Deferral Percentage Limitation

The amount each of your “highly compensated employees” may contribute to a salary reduction SEP is also limited by the “deferral percentage limitation.” This is based on the amount of money deferred, on average, by your nonhighly compensated employees. Deferrals made by a highly compensated employee that exceed this deferral percentage limitation for a calendar year are considered “excess SEP contributions” and must be removed from the employee’s SEP-IRA, as discussed below, unless the following exception applies. Excess SEP contributions of a highly compensated employee who is 50 or older before the end of the calendar year do not have to be removed from the employee’s SEP-IRA to the extent the amount of the excess SEP contributions is less than the catch-up elective deferral contribution limit (see *Section 402(g) Limit* above) reduced by any catch-up elective deferral contributions already made for the year.

The deferral percentage limitation for your highly compensated employees is computed by first averaging the “deferral percentages” (defined below) for the eligible nonhighly compensated employees for the year and then multiplying this result by 1.25.

Only elective deferrals are included in this computation. Nonelective SEP contributions may not be included. The determination of the deferral percentage for any employee is made under section 408(k)(6).

For purposes of this computation, the calculation of the number and identity of highly compensated employees, and their deferral percentages, is made on the basis of the entire “affiliated employer” (defined below).

A worksheet is provided on page 8 to assist in figuring the deferral percentage. You may want to photocopy it for yearly use.

The following definitions apply for purposes of computing the deferral percentage limitation under this SEP:

1. Deferral percentage is the ratio (expressed as a percentage to 2 decimal places) of an employee’s elective deferrals for a calendar year to the employee’s compensation for that year. For this purpose, an employee’s elective deferrals does not include any catch-up elective deferral

contributions that exceed the limit in Article IIIB(1) or IIIC or the section 402(g) limit applicable to employees under 50. No more than \$220,000 (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments) of compensation per individual is taken into account. The deferral percentage of an employee who is eligible to make an elective deferral, but who does not make a deferral during the year, is zero. If a highly compensated employee also makes elective deferrals under another salary reduction SEP maintained by the employer, then the deferral percentage of that highly compensated employee includes elective deferrals made under the other SEP.

2. Affiliated employer includes (a) any corporation that is a member of a controlled group of corporations, described in section 414(b) that includes the employer, (b) any trade or business that is under common control, defined in section 414(c) with the employer, (c) any organization that is a member of an affiliated service group, defined in section 414(m) that includes the employer, and (d) any other entity required to be aggregated with the employer under regulations under section 414(o).

3. A highly compensated employee is an individual described in section 414(q) who:

a. Was a 5% owner defined in section 416(i)(1)(B)(i) during the current or preceding year; or

b. For the preceding year had compensation in excess of \$95,000 (if the preceding year was 2005, \$100,000 if the preceding year was 2006) and was in the top-paid group (the top 20% of employees, by compensation). For later years, the amount may be increased for cost-of-living adjustments.

Excess SEP Contributions—Notification

You must notify each affected employee, if any, by March 15 of the amount of any excess SEP contributions made to that employee's SEP-IRA for the preceding calendar year and what amount must be withdrawn. If needed, use the model form on page 5 of these instructions. Excess SEP contributions that must be withdrawn are includible in the employee's gross income in the preceding calendar year. However, if these excess SEP contributions (not including allocable income) total less than \$100, then the excess contributions that must be withdrawn are includible in the employee's gross income in the calendar year of notification. Income allocable to these excess SEP contributions is includible in gross income in the year of withdrawal from the IRA.

If you do not notify any of your employees by March 15 of an excess SEP contribution that must be withdrawn, you must pay a 10% tax on such excess SEP contribution for the preceding calendar year. The tax is reported in Part VIII of Form 5330. If you do not notify your employees by December 31 of the calendar year following the calendar year in which the

excess SEP contributions arose, the SEP no longer will be treated as meeting the rules of section 408(k)(6). In this case, any contribution to an employee's IRA will be subject to the IRA contribution limits of sections 219 and 408 and thus may be considered an excess contribution to the employee's IRA.

Your notification to each affected employee of the excess SEP contributions must specifically state in a manner written to be understood by the average employee:

- The amount of the excess SEP contributions attributable to that employee's elective deferrals;
- The amount of these excess SEP contributions that must be withdrawn;
- The calendar year in which the excess SEP contributions that must be withdrawn are includible in gross income; and
- Information stating that the employee must withdraw the excess SEP contributions that must be withdrawn (and allocable income) from the SEP-IRA by April 15 following the calendar year of notification by the employer. Excess contributions not withdrawn by April 15 following the year of notification will be subject to the IRA contribution limits of sections 219 and 408 for the preceding calendar year and may be considered excess contributions to the employee's IRA. For the employee, the excess contributions may be subject to the 6% tax on excess contributions under section 4973. If income allocable to an excess SEP contribution is not withdrawn by April 15 following the calendar year of notification by the employer, the employee may be subject to the 10% tax on early distributions under section 72(t) when withdrawn.

For information on reporting excess SEP contributions that must be withdrawn, see Notice 87-77, 1987-2 C.B. 385, Notice 88-33, 1988-1 C.B. 513, Notice 89-32, 1989-1 C.B. 671, and Rev. Proc. 91-44, 1991-2 C.B. 733.

To avoid the complications caused by excess SEP contributions, you may want to monitor elective deferrals on a continuing basis throughout the calendar year to insure that the deferrals comply with the limits as they are paid into each employee's SEP-IRA.

Disallowed Deferrals

If you determine at the end of any calendar year that more than half of your eligible employees have chosen not to make elective deferrals for that year, then all elective deferrals made by your employees for that year will be considered disallowed deferrals, for example, IRA contributions that are not SEP-IRA contributions.

You must notify each affected employee by March 15 that the employee's deferrals for the previous calendar year are no longer considered SEP-IRA contributions. Such disallowed deferrals are includible in the employee's gross income in that preceding calendar year. Income allocable to the disallowed deferrals is includible in the employee's gross income in the year of withdrawal from the IRA.

Your notification to each affected employee of the disallowed deferrals must clearly state:

- The amount of the disallowed deferrals;
- The calendar year in which the disallowed deferrals and earnings are includible in gross income; and
- That the employee must withdraw the disallowed deferrals (and allocable income) from the IRA by April 15 following the calendar year of notification by the employer. Those disallowed deferrals not withdrawn by April 15 following the year of notification will be subject to the IRA contribution limits of sections 219 and 408 and thus may be considered an excess contribution to the employee's IRA. For the employee, these disallowed deferrals may be subject to the 6% tax on excess contributions under section 4973. If income allocable to a disallowed deferral is not withdrawn by April 15 following the calendar year of notification by the employer, the employee may be subject to the 10% tax on early distributions under section 72(t) when withdrawn.

Disallowed deferrals should be reported the same way excess SEP contributions are reported.

Restrictions on Withdrawals

Your highly compensated employees may not withdraw or transfer from their SEP-IRAs any SEP contributions (or income on these contributions) attributable to elective deferrals made for a particular calendar year until March 15 of the following year. Before that date, however, you may notify your employees when the deferral percentage limitation test has been completed for a particular calendar year and that this withdrawal restriction no longer applies. In general, any transfer or distribution made before March 15 of the following year (or notification, if sooner) will be includible in the employee's gross income and the employee may also be subject to a 10% tax on early withdrawal. This restriction does not apply to an employee's excess elective deferrals.

Top-Heavy Requirements

Elective deferrals may not be used to satisfy the minimum contribution requirement under section 416. In any year in which a key employee makes an elective deferral, this SEP is deemed top-heavy for purposes of section 416, and you are required to make a minimum top-heavy contribution under either this SEP or another SEP for each nonkey employee eligible to participate in this SEP.

A key employee under section 416(i)(1) is any employee who, at any time during the preceding year was:

- An officer of the employer with compensation greater than \$140,000 (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments);
- A 5% owner of the employer, as defined in section 416(i)(1)(B)(i); or
- A 1% owner of the employer with compensation greater than \$150,000.

Model Salary Reduction SEP Deferral Form**I. Salary reduction deferral**

Subject to the requirements of the Model Salary Reduction SEP of _____, I authorize the
(name of employer)
 following amount or percentage to be withheld from each of my paychecks and contributed to my SEP-IRA:

(a) _____ % (not to exceed 25%) of my salary; or **(b)** \$ _____ .

This salary reduction authorization shall remain in effect until I provide written modification or termination of its terms to my employer.

II. Amount of deferral

I understand that the total amount I defer in any calendar year may not exceed the smaller of:

(a) 25% of my compensation (determined without including any SEP-IRA contributions); or **(b)** the section 402(g) limit for the year.

III. Commencement of deferral

The deferral election specified in I above shall not become effective before _____. Specify
(Month, day, year)
 a date no earlier than the first day of the first pay period beginning after this authorization.

IV. Distributions from SEP-IRAs

I understand that I should not withdraw or transfer any amounts from my SEP-IRA that are attributable to elective deferrals and income on elective deferrals for a particular calendar year (except for excess elective deferrals) until March 15 of the subsequent year or, if sooner, when my employer notifies me that the deferral percentage limitation test for that plan year has been completed. Any such amounts that I withdraw or transfer before this time will be includible in income for purposes of sections 72(t) and 408(d)(1).

Signature of employee ►

Date ►

Notification of Excess SEP Contributions

To: _____
(name of employee)

Our calculations indicate that the elective deferrals you made to your SEP-IRA for calendar year _____ exceed the maximum permissible limits under section 408(k)(6), and that \$ _____ must be withdrawn from your SEP-IRA.

These excess SEP contributions are includible in your gross income for the _____ (insert the year identified above, or if less than \$100, the following year) calendar year.

These excess SEP contributions must be distributed from your SEP-IRA by April 15, 20_____ (insert year after the calendar year in which this notice is given) in order to avoid possible penalties. Income allocable to the excess amounts must be withdrawn at the same time and is includible in income in the year of withdrawal. Excess SEP contributions remaining in your SEP-IRA account after that time are subject to a 6% excise tax, and the income on these excess SEP contributions may be subject to a 10% penalty when finally withdrawn.

You made total excess contributions for the year of \$ _____. This amount may be different from the amount you have to withdraw if you have unused catch-up elective deferral contributions under this SEP for the year.

Signature of employer ►

Date ►

Instructions for the Employee

The following instructions explain what a simplified employee pension (SEP) is, how contributions to a SEP are made, and how to treat these contributions for tax purposes. For more information, see the SEP agreement on pages 1 and 2 and the *Instructions for the Employer* beginning on page 2.

What Is A SEP?

A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement without becoming involved in more complex retirement plans. A SEP may include a salary reduction arrangement, like the one provided on this form. Under this arrangement, you can elect to have your employer contribute part of your pay to your own traditional individual retirement account or annuity (traditional IRA), set up by you or on your behalf with a bank, insurance company, or other qualified financial institution. The part contributed is tax deferred. Only the remaining part of your pay is currently taxable. This type of SEP is available only to an employer with 25 or fewer eligible employees.

The traditional IRA must be one for which the IRS has issued a favorable opinion letter or a model traditional IRA published by the IRS as Form 5305, Traditional Individual Retirement Trust Account, or Form 5305-A, Traditional Individual Retirement Custodial Account. It cannot be a SIMPLE IRA (an IRA designed to accept contributions made under a SIMPLE IRA Plan described in section 408(p)) or a Roth IRA.

Your employer must provide you with a copy of the SEP agreement containing eligibility requirements and a description of the basis upon which contributions may be made.

All amounts contributed to your IRA belong to you, even after you quit working for your employer.

Forms and Publications You May Use

An employee may use either of the two forms and the publications listed below.

- Form 5329, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts. Use Form 5329 to pay tax on excess contributions and/or tax on early distributions.
- Form 8606, Nondeductible IRAs. Use Form 8606 to report nondeductible IRA contributions.
- Pub. 590, Individual Retirement Arrangements (IRAs).
- Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

Elective Deferrals

Annual Limitation

The maximum amount that you may defer to a SEP for a calendar year is limited to the smaller of 25% of compensation or the section 402(g) limit. The 25% limit is reduced if your employer makes nonelective contributions on your behalf to this or another SEP for the year. In that case, the total contributions on your behalf to all such SEPs may not exceed the smaller of \$44,000 (this is the amount for 2006; for later years, it may be increased for cost-of-living adjustments) or 25% of compensation.

Section 402(g) Limit

Section 402(g) limits the maximum amount of compensation you can defer in each calendar year to all salary reduction SEPs, SIMPLE IRA plans under section 408(p), section 403(b) salary reduction arrangements, and cash or deferred arrangements under section 401(k), regardless of the number of employers you may have worked for during the year. This limit is \$15,000 for 2006 and later years. After 2006, the \$15,000 amount may be increased for cost-of-living adjustments. If you are 50 or older before the end of the calendar year, you can defer an additional amount of compensation ("catch-up elective deferral contributions") during the year. The limit on catch-up elective deferral contributions is \$5,000 for 2006 and later years. After 2006, the \$5,000 amount may be increased for cost-of-living adjustments.

For a highly compensated employee, there may be a further limit on the amount you can defer. Figured by your employer and known as the deferral percentage limitation, it limits the percentage of pay that a highly compensated employee can elect to defer to a SEP-IRA. Your employer will notify any highly compensated employee who has exceeded the limitation.

Tax Treatment

Elective deferrals that do not exceed the limits discussed above are excluded from your gross income in the year of the deferral. They are not included as taxable wages on Form W-2, Wage and Tax Statement. However, elective deferrals are treated as wages for social security, Medicare, and unemployment (FUTA) tax purposes.

Excess Amounts

There are three situations which will result in excess amounts in a salary reduction SEP-IRA.

1. Making excess elective deferrals (for example, amounts in excess of the section 402(g) limit). You must determine whether you have exceeded the limit in the calendar year.
2. Highly compensated employees who make excess SEP contributions (for example, amounts in excess of the deferral percentage limitation referred to above). The employer must determine if an employee has made excess SEP contributions.
3. Having disallowed deferrals (for example, more than half of your employer's eligible employees choose not to make elective deferrals for a year). All elective deferrals made by employees for that year are considered disallowed deferrals, as discussed below. Your employer must also determine if there are disallowed deferrals.

Excess Elective Deferrals

Excess elective deferrals are includible in your gross income in the calendar year of deferral. Income earned on the excess elective deferrals is includible in the year of withdrawal from the IRA. You should withdraw excess elective deferrals and any allocable income by April 15 following the year to which the deferrals relate. These amounts may not be transferred or rolled over tax-free to another IRA.

If you do not withdraw excess elective deferrals and any allocable income by April 15, the excess elective deferrals will be subject to the IRA contribution limits of sections 219 and 408 and will be considered excess contributions to your IRA. Such excess deferrals are subject to a 6% excise tax for each year they remain in the SEP-IRA. The excise tax is reported in Part III of Form 5329.

Income earned on excess elective deferrals is includible in your gross income in the year you withdraw it from your IRA. The income should be withdrawn by April 15 following the calendar year in which the deferrals were made. If the income is withdrawn after that date and you are not 59½ years of age, it may be subject to the 10% tax on early distributions. Report the tax in Part I of Form 5329. Also see Pub. 590 for a discussion of exceptions to the age 59½ rule.

Excess SEP Contributions

If you are a highly compensated employee, you may have excess SEP contributions for a calendar year that may have to be withdrawn from your SEP-IRA. If you have excess SEP contributions that do not have to be withdrawn (because you had unused catch-up elective deferral contributions), the following rules on including the contributions in income, withdrawing the contributions, and penalties if you don't withdraw them do not apply to these excess SEP contributions. Your employer must notify you of any excess contributions, whether or not they must be withdrawn. This notification should show the amount of the excess SEP contributions, the amount that must be withdrawn, the calendar year to include any excess contributions in income, and the penalties that may be assessed if the contributions that must be withdrawn are not withdrawn from your IRA within the applicable time period.

Your employer must notify you of the excess SEP contributions by March 15 following the calendar year for which you made the excess SEP contributions. Generally, you include the excess SEP contributions in income for the calendar year in which you made the original deferrals. This may require you to file an amended individual income tax return. However, any excess SEP contribution less than \$100 (not including allocable income) must be included in income in the calendar year of notification. Income earned on these excess contributions must be included in your gross income when you withdraw it from your IRA.

You must withdraw these excess SEP contributions (and allocable income) from your IRA. You may withdraw these amounts without penalty, until April 15 following the calendar year in which you were notified by your employer of the excess SEP contributions. Otherwise, the excess SEP contributions are subject to the IRA contribution limits of sections 219 and 408 and will be considered an excess contribution to your IRA. Thus, the excess SEP contributions are subject to a 6% excise tax reportable in Part III of Form 5329 for each year the contributions remain in your IRA.

If you do not withdraw the income earned on the excess SEP contributions by April 15 following the calendar year of notification by your employer, the income may be subject to

a 10% tax on early distributions if you are not 59½ years of age when you withdraw it. Report the tax in Part I of Form 5329. Also see Pub. 590.

If you have both **excess elective deferrals** and **excess SEP contributions**, the amount of excess elective deferrals that you withdraw by April 15 will reduce any excess SEP contributions that must be withdrawn for the corresponding calendar year.

Disallowed Deferrals

You are not required to make elective deferrals to a SEP-IRA. However, if more than 50% of your employer’s eligible employees choose not to make elective deferrals in a calendar year, then no employee may participate for that calendar year. If you make elective deferrals during a year in which this happens, then your deferrals for that year will be “disallowed,” and the deferrals will be treated as ordinary IRA contributions (which may be excess IRA contributions) rather than SEP-IRA contributions.

Disallowed deferrals and any income the deferrals have earned may be withdrawn, without penalty until April 15 following the calendar year in which you are notified of the disallowed deferrals. Amounts left in the IRA after that date will be subject to the same penalties discussed in *Excess SEP Contributions* above.

Income Allocable To Excess Amounts

The rules for determining and allocating income to excess elective deferrals, excess SEP contributions, and disallowed deferrals are the same as those governing regular IRA contributions. The trustee or custodian of your SEP-IRA will inform you of the income allocable to these amounts.

Additional Top-Heavy Contributions

If you are not a key employee, your employer must make an additional contribution to your SEP-IRA for a year in which the SEP is considered “top heavy.” (Your employer can tell you if you are a key employee. Also, see *Top-Heavy Requirements* on page 4 for the definition of a key employee.) This additional contribution will not exceed 3% of your compensation. It may be less if your employer has already made a contribution to your SEP-IRA, and for certain other reasons.

IRA Contribution for SEP Participants

In addition to any SEP amounts, you may make regular IRA contributions to an IRA. However, the amount of your contribution that you may deduct on your income tax return is subject to various income limits. See Form 8606. Also, you may want to see Pub. 590.

SEP-IRA Amounts—Rollover or Transfer To Another IRA

If you are a highly compensated employee, you may not withdraw or transfer from your SEP-IRA any SEP contributions (or income on

these contributions) attributable to elective deferrals made during the year until March 15 of the following year or, if sooner, at the time your employer notifies you that the deferral percentage limitation test (discussed under *Annual Limitation* on page 6) has been completed for that year. In general, any transfer or distribution made before this time is includible in your gross income and may also be subject to a 10% tax on early distribution. Report this tax in Part I of Form 5329. You may, however, remove excess elective deferrals from your SEP-IRA before this time but you may not roll over or transfer these deferrals to another IRA.

If the restrictions above do not apply, you may withdraw funds from your SEP-IRA and no more than 60 days later place those funds in the same or another IRA, but not in a SIMPLE IRA. This is called a “rollover” and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times that you may make “transfers” if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

You may not, however, roll over or transfer excess elective deferrals, excess SEP contributions, or disallowed deferrals from your SEP-IRA to another IRA. These amounts may be reduced only by a distribution to you.

Employer To Provide Information on SEP-IRAs and Form 5305A-SEP

Your employer must give you a copy of the following information:

1. A copy of a completed Form 5305A-SEP, the *Model Salary Reduction SEP Deferral Form* (used to defer amounts to the SEP), and, if applicable, a copy of the Notice of Excess SEP Contributions. Your employer should also provide you with a statement of any contributions made during the calendar year to your SEP-IRA. Highly compensated employees must also be notified at the time the deferral percentage limitation test is completed.
2. A statement that traditional IRAs other than SEP-IRAs receiving contributions under this SEP may have different rates of return and different terms (for example, transfers and withdrawals from the IRAs).
3. A statement that the administrator of an amended SEP must furnish to each participant within 30 days of the amendment, a copy of the amendment and an explanation of its effects.
4. A statement that the administrator must notify each participant in writing of any employer contributions to the SEP-IRA. The notification must be made by the later of January 31 following the year of the contribution or 30 days after the contribution is made.

Financial Institution Requirements

The financial institution where your IRA is maintained must provide you with a

disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
2. The tax consequences of various options concerning your IRA.
3. Participation eligibility rules, and rules on the deductibility of retirement savings.
4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. (This information must be clearly displayed at the beginning of the disclosure statement.)
5. A discussion of the penalties that may be assessed because of prohibited activities concerning the IRA.
6. Financial disclosure that provides the following information.
 - a. Projects value growth rates of the IRA under various contribution and retirement schedules, or describes the method of computing and allocating annual earnings and charges that may be assessed.
 - b. Describes whether, and for what period, the growth projections are guaranteed, or a statement of earnings rate and the terms on which these projections are based.
 - c. States the sales commission to be charged in each year expressed as a percentage of \$1,000.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA’s investment performance and to report IRA distributions for tax purposes.

Paperwork Reduction Act Notice. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	4 hr., 29 min.
Learning about the law or the form	5 hr., 1 min.
Preparing the form	58 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send this form to this address. Instead, keep it for your records.

Deferral Percentage Limitation Worksheet (see instructions on page 3)

(a) Employee Name	(b) Status H = HCE* O = Other	(c) Compensation (see below)	(d) Deferrals (see below)	(e) Ratio (d) ÷ (c)	(f) Permitted ratio (for HCE* only, see below)	(g) Permitted amount (for HCE* only) (c) × (f)	(h) Excess (for HCE* only) (d) minus (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							

* **Highly compensated employee.** See the definition on page 4.

Column (c). Compensation. Enter compensation from this employer and any related employers.

Column (d). Deferrals. Enter all SEP elective deferrals other than catch-up elective deferral contributions. See *Deferral percentage* on page 3.

Column (f). Permitted ratio.

Column (h). Excess. Amounts in this column may have to be withdrawn by the HCE. See instructions on page 3.

A Enter the total of the ratios in column (e) for the employees marked as "O" in column (b) _____

B Divide line A by the number of employees marked as "O" in column (b) _____

C Permitted ratio. Multiply line B by 1.25 and enter the permitted ratio here _____

SEP-IRA/SARSEP-IRA Remittance Schedule



When the employer maintains both a SEP-IRA and SARSEP-IRA, two separate checks and schedules (one check and a Remittance Schedule for the SEP-IRA contributions and one check and a Remittance Schedule for the SARSEP-IRA contributions) are required when making contributions.

- ◆ For SEP-IRAs: A completed Form 5305-SEP must be on file with ADM.
- ◆ For SARSEP-IRAs: A completed Form 5305A-SEP, or if applicable, any other IRS approved form that was used to establish the SARSEP prior to 1997 must be on file with ADM.
- ◆ A SEP-IRA or SARSEP-IRA Application, whichever is applicable, must be on file with ADM for each participant named on the Remittance Schedule.
- ◆ Contributions must either be accompanied by a copy of this Remittance Schedule or another format providing the information requested below: Employer's name, Participant's name and social security number and amount of salary deferrals and employer contributions to be allocated to each participant.
- ◆ The Employer must send a check drawn on a U.S. bank made payable to First Investors Corporation.

Type of Account (check one): SEP-IRA SARSEP-IRA

Employer's Name (print) _____
Employer's Telephone Number

If an employee wishes to change his/her fund allocation, he/she can call Shareholder Services at 1 (800) 423-4026 or submit to ADM a signed letter of instruction. **Do Not Use This Schedule To Change Employee Investment Allocations.**

Name of Participant	Social Security Number	(SEP-IRAs ONLY) Amt of EMPLOYER Contribution	(SARSEP-IRAs ONLY) Amt of EMPLOYEE Contribution	Contribution For Tax Year
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
_____	_____	\$ _____	\$ _____	_____
Attach additional sheets, if needed.				
Total Contribution Enclosed		\$ _____	\$ _____	

The Total Contribution should equal the sum of the Amount of Contribution column for all participants.