

SIMPLE IRA plan



Wealth
Management

How it works

A Savings Incentive Match Plan for Employees (SIMPLE) IRA makes it easy for an employer to establish a company-sponsored retirement plan. The SIMPLE IRA allows contributions from both employers and employees.

Key advantages for the employer

- SIMPLE IRAs allow you to establish a plan that enables employees to make their own decisions on how much they wish to contribute.
- You can offer matching contributions to employees, providing a reward for their participation in the plan.
- The plan is easy to administer, with no complicated reporting requirements.
- There are no minimum participation requirements.
- Because employees direct the investments of their own accounts, liability for investment results is limited.

Key advantages for your employees

- A SIMPLE IRA is a valuable addition to an employee benefit package.
- SIMPLE IRAs give each employee the freedom to choose how much they wish to contribute to a retirement plan, up to \$16,500 per year in 2025.

- Earnings grow tax deferred.
- All contributions are immediately vested and employees can access this money at any time, subject to the premature distribution penalty rules for SIMPLE IRAs.
- Employees can choose from a wide range of investment options.

SIMPLE IRAs are most appropriate for:

- Companies with 100 or fewer employees (firms with more employees are not eligible to offer a SIMPLE IRA).
- Firms that are not concerned about limiting participation in a retirement plan.
- Firms with limited resources for reporting and recordkeeping of a retirement plan.

What you should know about SIMPLE IRAs

An exclusive retirement plan

Unlike most other retirement plan options, if you choose to establish a SIMPLE IRA, you cannot combine it with any other retirement plan.

Maximum contributions

In 2025, each employee is allowed to defer up to \$16,500 or 100% of their compensation, whichever is less. Employees who are age 50 or older can defer an additional \$3,500 in 2025.

SECURE 2.0 Act modifies contribution rules and limits for employee contributions in 2025

For employers with no more than 25 employees, section 117 of the Secure 2.0 Act (effective 2024) increases the annual deferral limit to 110% of the 2024 Simple IRA plan limit (as indexed). That brings the 2025 deferral limit to \$17,600 (110% of \$16,000, which was the 2024 limit). The catch-up contribution limit for individuals age 50 or older is also increased by 110% of the 2024 SIMPLE IRA plan limit (as indexed). That brings the 2025 catch-up contribution limit to \$3,850 (110% of \$3,500 mentioned below). Employers with 26–100 employees are allowed to provide these higher deferral limits, provided that the employer either makes a 4% matching contribution or a 3% employer non-elective contribution. Please note: Employee count is based on the number of employees, including contractors and union employees, who earned at least \$5,000 in the prior calendar year. To apply the enhanced employee elective deferral limits formal notice to participants is required.

Additional optional non-elective employer contribution

Under prior law (2023), employers with SIMPLE IRA plans were required to make contributions to match employees' elective deferrals of up to 3% of compensation or make a 2% non-elective contribution to all

eligible employees. Secure 2.0 Act modified those limitations by allowing an employer to make additional non-elective contributions to eligible employees of the plan, as long as the additional contributions are made in a uniform manner and where the contribution does not exceed 10% of employee compensation, or \$5,000, whichever is less.

Employers must match deferrals dollar-for-dollar up to 3% of compensation (can be lowered to 1% in two out of five years), or employer must make a 2% non-elective contribution for all eligible employees. In 2025, a \$350,000 compensation limit applies to non-elective employer contributions only.

New catch-up contribution limit for participants ages 60–63

Effective Jan. 1, 2025, SIMPLE IRA participants age 60, 61, 62 and 63 are eligible for higher catch-up contribution limits capped at \$5,000 or 150% more than the standard catch-up whichever is greater. Beginning in 2026 this “additional catch-up” limit for those 60–63 will be indexed for inflation.

Investment options

Assets in a SIMPLE IRA can be invested in any type of investment, including mutual funds, common stocks, corporate and government bonds, annuities and more.

The investments selected will depend on your needs, your tolerance for

risk and your time horizon—how long you have until retirement. We can help you determine how much you will need to meet your retirement goals and can assist you in selecting appropriate investments for your SIMPLE IRA.

How RBC Wealth Management can help you

Your RBC Wealth Management financial advisor can work closely with you to help determine if a SIMPLE IRA is the right plan for your company.

In addition, your financial advisor can offer you and your employees a full range of investment options to help implement each employee’s SIMPLE IRA account.