Vanguard SEP–IRA

www.vanguard.com (Vanguard IRAs®)

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Vanguard® SEP-IRA—account overview

A Vanguard SEP-IRA allows self-employed individuals and small-business owners, including S-Corporations, C-Corporations, and partnerships, to make tax-deductible contributions for retirement. The plan is easy to establish and maintain and requires no IRS reporting.

Eligibility and contributions

- Employers can contribute up to \$40,000 or 25% of each employee's compensation, whichever is less.
- The following employees must be included in the plan:
- _ Employees age 21 or older.
- _ Employees who've earned at least \$450 (indexed for inflation by the IRS).
- _ Employees who've performed services for the employer in 3 of the past 5 years.

Note: These are the most restrictive eligibility requirements; an employer could choose to impose less restrictive eligibility requirements and offer the SEP–IRA to other employees. For example, an employer could include employees younger than age 21.

Investment choices

• Minimum investment to open a Vanguard SEP-IRA. None.

• Investment types. Vanguard mutual funds offer low fees and a variety of choices for virtually every investor's needs. By opening a brokerage IRA, you can invest your IRA assets in mutual funds from other fund families; individual stocks, bonds, and options; and certificates of deposit (CDs).

Distributions

- Tax-deferred earnings. Yes.
- Penalty for early withdrawal. Yes, if you're under age 59_ and your withdrawal doesn't qualify as an exception to the penalty tax.
- Required minimum distributions (RMDs). Yes, beginning at age 70_.

Account fee

Vanguard charges a custodial fee of \$10 a year for each IRA mutual fund account with a balance of less than \$5,000. We automatically waive this fee if you have assets totaling \$50,000 or more at Vanguard in any combination of accounts—IRAs, employer-sponsored retirement plans, brokerage accounts, and annuities.

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Vanguard® SEP–IRA—contributions

To establish a Vanguard SEP-IRA, an employer must complete

the Simplified Employee Pension–Individual Retirement Accounts Contribution Agreement (from IRS form 5305-SEP) in our SEP–IRA kit.

Provide a copy of the completed form to each eligible employee. You don't need to file the form with Vanguard or the IRS, but keep it for your records.

Employers must include the following employees:

- Employees age 21 or older.
- Employees who've earned at least \$450 (indexed for inflation by the IRS).
- Employees who've performed services for the employer in 3 of the past 5 years.

Note: These are the most restrictive eligibility requirements; an employer could choose to impose less restrictive eligibility requirements and offer the SEP-IRA to other employees. For example, an employer could include employees younger than age 21.

Employers may exclude nonresident aliens with no U.S. source of income and union employees covered by a collective bargaining agreement if the retirement benefits were the subject of goodfaith bargaining.

Employers may open or contribute to a SEP-IRA by the tax-filing deadline (including extensions). Employers can contribute up to \$40,000 or 25% of each employee's compensation, whichever is less.

Employer advantages

- Employer contributions are deductible as a business expense.
- Contributions are discretionary; you can vary your yearly contributions or skip a year.
- Contributions are an incentive for employee retention.

Employee advantages

- Contributions aren't included in taxable income.
- Contributions grow tax-deferred until they're withdrawn.
- Employees choose their account investments.

- Contributions are 100% vested.
- Employees may also make personal IRA contributions to the SEP-IRA or to a traditional IRA or a Roth IRA.

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Vanguard® SEP–IRA—investment choices

Vanguard mutual funds offer low fees and a variety of choices for virtually every investor's needs. By opening a Vanguard® Brokerage IRA, you can also invest your IRA assets in mutual funds from other fund families; individual stocks, bonds, and options; and certificates of deposit (CDs).

Vanguard Target Retirement Funds

Choose a single Vanguard® Target Retirement Fund to get a professionally managed and diversified portfolio designed for your retirement date.

Vanguard funds

Vanguard offers more than 70 funds suitable for retirement investing. Learn about them in the Research Funds & Stocks area.

Funds from other fund families

Look up more than 300 fund families and invest through our FundAccess® service.

Stocks and options

Holding individual securities through Vanguard Brokerage

Services® lets you consolidate your portfolio and get superior trading services.

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Vanguard® SEP–IRA—distributions

We make it easy for you to take a distribution from your Vanguard SEP–IRA when the time comes, whether you take a single, one-time distribution or periodic payments. And if you're over age 70_, we'll help you to calculate your required minimum distributions.

Distribution basics

Employer contributions under a Vanguard SEP-IRA generally will be subject to the regular IRA rules governing withdrawals.

- Tax-free earnings. No.
- Tax-deferred earnings. Yes. Your earnings grow tax-deferred until you take a distribution, which is subject to ordinary income tax.
- _ Federal. You'll owe federal income tax on the taxable amount of your distribution. Fill out IRS Form 8606, Nondeductible IRAs (call 1-800-TAX-FORM or visit the IRS website) to determine the taxable amount, if any. You may tell us to withhold federal income tax of 10% or more—or not withhold anything. You may also need to file estimated quarterly taxes.
- _ State. You may have to pay state taxes on a SEP-IRA distribution depending on where you live. Several states require state income taxes to be withheld whenever federal income taxes are withheld.

- Penalty for early withdrawal. Yes, 10% if you're under age 59_ and your withdrawal doesn't qualify as an exception to the penalty tax. You choose your distribution amount, which is also subject to ordinary income tax.
- Required minimum distributions (RMDs). Yes, beginning at age 70_.
 You must pay a 50% excise tax to the IRS on any shortfall when your distributions for the year are less than the RMD. Use our kit to get started with your RMDs.

Distribution options

You may choose from among the following ways to take a distribution:

- **Fixed-dollar installment method.** You'll receive a set amount in each payment for as long as there are assets in your account.
- Declining-balance method. You'll receive a fixed number of payments that will fluctuate, depending on the market value of your investments.
- Single-distribution method. You'll request a withdrawal of assets when you need them.

You may receive your distributions in one of these ways:

- Deposit the proceeds in a nonretirement Vanguard account.
- Have a check sent to you.
- Have the proceeds sent directly to your bank.

To get started with a SEP-IRA distribution, select a kit:

- Distributions from a Vanguard IRA. Get the information and forms you need to take a distribution from your IRA.
- Substantially Equal Periodic Payments (SEPPs). Get the information and forms you need to initiate penalty-free distributions before age 59_ from your existing Vanguard IRA®.

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Invest in a Vanguard® SEP–IRA

Employers

To establish a SEP-IRA for your employees, choose from 2 account types:

- Vanguard SEP-IRA. Select from more than 70 no-load Vanguard mutual funds suitable for retirement investing. Follow these steps:
- _ Complete your application online, and then print, sign, and mail it to us.
- _ View or request the forms online, and then print, sign, and mail them to us.
- Vanguard Brokerage Services® SEP–IRA. Choose from individual stocks, bonds, options, certificates of deposit (CDs), and more than 2,600 mutual funds from other fund families.
- _ Complete your application online, and then print, sign, and mail it to us.
- _ View or request the forms online, and then print, sign, and mail them to us.

To make a contribution to your employees' accounts, use the Vanguard SEP-IRA (Simplified Employee Pension Plan) Contribution Allocation Form.

Employees

In addition to the employer's SEP-IRA contribution, you can make traditional IRA contributions to your SEP-IRA.

The fastest, easiest way to invest with Vanguard is online. Of course, if you prefer, you may send us a check by mail. And our convenient account services make it easy for you to continue to

invest in your IRA.

Invest online now

Purchase more shares of Vanguard funds you own or add new mutual funds to your existing IRA.

Automatic Exchange Service

Maximize your IRA contributions by moving money from your nonretirement Vanguard investments to your Vanguard SEP-IRA on a schedule you choose.

Automatic Investment Plan

Put your investment program on automatic pilot by investing money from your bank or savings account into your Vanguard SEP-IRA on a regular basis.

Electronic bank transfers

Establish a connection to your bank or savings account to invest money in your Vanguard SEP-IRA at any time.

Deposit forms

Order invest-by-mail deposit forms, or complete a deposit form online to print and mail to Vanguard.