



This Checklist is *not* a complete description of all plan requirements, and should *not* be used as a substitute for a complete plan review.

For Business Owner's Use

(DO NOT SEND THIS WORKSHEET TO THE IRS)

Every year it is important that you review the requirements for operating your Simplified Employee Pension (SEP). This Checklist is a "quick tool" to help you keep your plan in compliance with many of the important tax rules. Underlined text below will link you to Internet information.

1. Are all eligible employees participating in the SEP? Yes No

Any employee who is at least 21 years of age, was employed by you for 3 of the immediately preceding 5 years, and received compensation from you of at least \$450 during the year (subject to cost-of-living adjustments after 2004) is eligible to participate in a SEP.

2. Is the business that the SEP covers the only business that you and/or your family members own? Yes No

Employees of other businesses you and/or your family members own may have to be treated as employees when determining who is an eligible employee under this SEP.

3. Have you given all of your eligible employees information about the SEP? Yes No

You must give your employees certain information about the SEP, including a copy of the SEP document. Form 5305-SEP is your SEP document if you use the model form.

4. Are you determining each eligible employee's compensation using an appropriate definition in accordance with your SEP document? Yes No

Compensation used to determine contributions is limited to \$200,000 for 2003, 205,000 for 2004, and is subject to cost-of-living adjustments in later years.

5. Are contributions made only to a traditional IRA? Yes No

All SEP contributions must go to traditional IRAs set up for the eligible employees.

6. Are SEP contributions to each employee's IRA limited as required by law? Yes No

Contributions to a SEP-IRA are limited to the lesser of 25% of the employee's compensation for the year or \$40,000 for 2003 (\$41,000 for 2004, and subject to cost-of-living adjustments for later years).

7. Are employer contributions immediately 100% vested? Yes No

Employer contributions cannot be conditioned on anything. Once made, the employee owns all contributions.

8. Have you made required top-heavy minimum contributions to the SEP? Yes No

If a SEP is top-heavy or deemed top-heavy, contributions must be made for the non-key employees equal to the lesser of 3% of compensation or a percentage equal to the highest contribution rate of any key employee.

9. Have you deposited employer contributions timely? Yes No

Employers have until the due date, including extensions, of their tax return to deposit employer contributions in order to obtain a deduction.

10. If the model Form 5305-SEP was used to set up the plan, is this SEP your business's only employee retirement plan? Yes No

A sponsor of a SEP established using model Form 5305-SEP cannot sponsor another retirement plan, such as a 401(k) plan.

If you answered "No" to any of the above questions, you may have a mistake in the operation of your SEP. Many mistakes can be corrected easily, without penalty and without notifying the IRS.

■ contact your benefits professional

■ visit the IRS at www.irs.gov/ep

■ call the IRS at (877) 829-5500

