



BUILDING RELATIONSHIPS THAT LAST GENERATIONS

In order to assist you with the implementation of your SIMPLE IRA plan, we are requesting that you provide us with some information about your company. Please complete this form and return it with the 5305-SIMPLE IRA or 5304-SIMPLE IRA Form.

1. Employer Information

Name of Employer (i.e., Company Name)

Name of Contact Person / Plan Administrator

Business Street Address (No P.O. Boxes)

City, State Zip Code () -

Phone Number -

Tax Identification Number

Type of Business

Mailing Address (if different from above):

Address

City, State Zip Code

Note: Contributions cannot be made to the SIMPLE-IRA plan for any year for which contributions are made or benefits accrued to another employer-sponsored retirement plan (e.g., a 401(k), SEP-IRA, or Keogh).

2. Employee Information

Please tell us the number of people you employ and an estimate of how many Eligible Employees will participate in the Plan.

Total number employees in your company (including yourself):

Number of employees eligible to participate in the Plan (including yourself) based on the eligibility requirements you elected in Form 5305-SIMPLE:

Please estimate to the best of your ability the number of Eligible Employees who will participate in the Plan (including yourself):

3. Your SIMPLE-IRA Plan

Are you:

- establishing a new SIMPLE-IRA with Dunham or transferring an existing SIMPLE-IRA plan to Dunham?

Contributions: Employees' Elective Deferrals must be deposited no later than 30 days after the end of the month in which the deferrals are withheld from the Employees' Compensation (IRS Notice 98-4, G-5). Employer matching and nonelective contributions must be made by the employer's tax return due date, including extensions, for the taxable year in which the contributions are made

4. Fee Payment

Two pricing options are available to meet your needs. Please choose one below. If you do not elect a pricing option, Option 1 will be the default provision. See the Custody Fee Schedule supplement to the new account application for more information.

There is a \$25 annual administration fee per participant for average balances under the required minimums. Fee is waived for participant accounts with average balances greater than the minimum required.

- Option 1: Fee is collected from each participant's SIMPLE-IRA account annually.
Option 2: Fee is collected from the employer's bank account annually. This feature may only be set up using electronic funds transfer. Please provide Dunham with a voided check. Fee collection dates will vary by the anniversary date of the participant's initial account opening date. Employer is responsible for notifying Dunham of changes to employee status in order to discontinue fee payment for any individuals.

5. Signature

I certify that the information provided on this form is correct.

Name of Employer (i.e., Company Name)

Name of Person Authorized to Sign on Behalf of Company (Please print.)

X
Signature of Authorized Person / Administrator Date

ADDITIONAL INFORMATION

Purpose. This document, Internal Revenue Service (IRS) Form 5305-SIMPLE, establishes a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) when completed by an employer. This document names a Designated Financial Institution (DFI) who will be a co-signer of the plan document. If you do not want to name a DFI, where all of your employees must establish their SIMPLE IRAs, you may use IRS Form 5304-SIMPLE. This document does not establish a SIMPLE individual retirement account (IRA) for any eligible employees. Eligible employees may also be referred to as participants.

For Additional Guidance. As an employer you should determine your suitability for and obligations under a SIMPLE through a tax or legal professional before completing this document. The **General Instructions** provide you with important information that will help you and the DFI complete this document. The **Additional Information** will help you understand your interaction with your employees and the DFI, where all of your employees must establish their SIMPLE IRAs. For more information refer to IRS Publication 560, *Retirement Plans for Small Business*, Publication 590, *Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at www.irs.gov. The **Instructions for the Designated Financial Institution** provide a DFI with important information regarding its responsibility in dealing with the sponsoring employer and its employees. A DFI must develop a policy for handling the deposits and investment of employee salary deferrals and the employees' potential to move their SIMPLE IRA assets to different custodians/trustees without cost or penalty.

How To Use This SIMPLE Document.

A. Establishment and Amendment

To establish or amend your SIMPLE, complete all of the Articles of this plan document, except Article VI - Procedures for Withdrawal, which is completed by the DFI. You and the DFI must sign this document. A copy of this completed SIMPLE document must be provided to each eligible employee no later than the SIMPLE's effective date, as stated in Article VII — Effective Date, and prior to the annual 60-day election period for any amendment. The copy of this document must be accompanied by the DFI's Procedure for Withdrawal, your notice which states your choice of required contribution for the year, and a salary reduction agreement form.

Each of your eligible employees must establish a SIMPLE IRA with the DFI.

B. Subsequent Annual Use

Prior to the 60-day election period that begins November 2 each year, you must provide a current completed copy of the IRS Form 5305-SIMPLE document with your employer contribution notice and the DFI's Procedures for Withdrawal. A salary reduction agreement form could also be provided.

All SIMPLE documents should be read carefully as you would read any other legal documents. A copy of the completed SIMPLE documents should be held in safekeeping with your other legal records.

**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
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 appropriate box(es) and blanks — see instructions)*

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made to 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 the 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 appropriate — 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 choose 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.
- 2a 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 \$250,000* 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.

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, 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.

Name of designated financial institution _____

By: _____ Signature _____ Date _____

Address of Employer _____

Name and title _____

* This is the amount for 2012. 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 **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 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%.

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 *(The designated financial institution will provide the instructions (to be attached or inserted in the space below) on the procedures for withdrawals of contributions by employees.)*

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, August 2005, or September 2008 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* and *Contributions* below). 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 is 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

Articles I-VII 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 \$11,500 for 2012. After 2012, the \$11,500 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 2012. After 2012, 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* 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 \$250,000* 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

* This is the amount for 2012. 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 IRS.gov

which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described previously.

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* 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 Articles I-VII 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 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 & 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*).

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 earlier.

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:M:S, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, keep it for your records.