



Annuities



Simplified Employee Pension

The Company You Keep[®]

Simplified Employee Pension (SEP)—What Is It?

Looking for a way to help yourself and your employees prepare for retirement...but without all the paperwork and expense associated with installing and administering a qualified plan?

For the small business owner, the answer may be a Simplified Employee Pension, or SEP, for short.

In a nutshell, a SEP is a tax-favored plan that permits an employer to make contributions on behalf of an employee to the employee's SEP-Individual Retirement Account (IRA).

It can be established by sole proprietorships, partnerships and corporations. SEPs are especially attractive to small business owners because they are simple to set up and maintain.

Focus on SEP Tax Advantages

The SEP's simplicity is only partially responsible for its popularity. Tax advantages are also a key attraction, and include:

- Employer contributions to an employee's SEP-IRA are deductible by the employer within certain limits.
- Employer contributions are not currently taxed to the employee.
- Earnings that accumulate in the account are tax-deferred until they are withdrawn by the employee.

This combination of tax advantages can help contribute, over time, towards meeting your retirement needs and those of your employees.

SEP's Tax Advantages in Action

For example, say a self-employed individual, age 35, paid \$6,000 yearly to age 65 into a SEP plan. Assuming a 28% tax bracket and a hypothetical 7% annual interest earnings, the chart shows (for illustrative purposes only) a dramatic difference between the tax-favored SEP and a plan without those advantages...

Years	\$6,000 yearly into SEP	\$4,320* yearly outside SEP
5	\$36,920	\$25,094
10	88,702	57,182
15	162,328	98,213
20	263,191	150,680
25	406,059	217,771
30	606,438**	303,560

* \$6,000 after taxes at 28%.

** \$436,636 after taxes at 28%, if taken as a lump sum.

...almost twice as much at age 65! Why? Because a percentage of the annual contribution doesn't get siphoned off by taxes at the time it's made and earnings over the life of the plan avoid current taxation. Of course, the SEP distributions would be taxed as received and withdrawals prior to age 59½ may be subject to an IRS penalty tax.

Additional Features and Benefits

Contribution Limits—Employers can contribute up to \$42,000 for 2005 (\$41,000 for 2004), or 25% of includible compensation, whichever is less, to a SEP-IRA established for each eligible employee. For self-employed individuals, considered to be owner-employees, 20% of self-employment income (after certain deductions)

is used to arrive at the 25% maximum. Includible compensation is limited to the first \$210,000 for 2005 (\$205,000 for 2004).

No Administrative Burdens—A SEP (established using IRS model form 5305-SEP) is virtually free of government mandated reporting requirements, such as 5500 series annual reports. Unlike other employer-sponsored retirement plans (e.g., pension, profit sharing, Keogh), a SEP is comparatively easy to establish and maintain. Paperwork is kept to a minimum. It is still necessary, however, to adhere to the government's non-discrimination and disclosure requirements.

Flexible Contributions—Employer contributions can vary from year to year or can even be skipped entirely in a given year.

Advantages for Employees

Individual Control—From an investment standpoint, employees control their individual accounts. They benefit from good investment results and, of course, accept the risk that investments may perform poorly. The SEP-IRA accounts are also portable. The full amount stays with the employee in the event of a job change or early retirement.

Full Vesting—Employer contributions are immediately 100% vested.

Setting Up the SEP

A SEP is relatively simple to set up. One way would be for the eligible employer to complete and sign IRS model form 5305-SEP and give a copy to each participating employee. This form does not have to be sent to the IRS

for approval or filing. Certain restrictions, however, apply to using the form. For example, form 5305-SEP may not be used if the employer also maintains a qualified plan.

IRA accounts would then be set up for eligible employees. From then on, it's a matter of reporting the contribution amounts to employees each year and adhering to the applicable non-discrimination and disclosure requirements.

Funding SEPs with LifeStages® Annuities*

LifeStages® annuities offer many features that make them a good choice for helping your contributions accumulate within your SEP. There are several types of annuities to choose from, depending on your individual needs and objectives.

Some features of annuities that make them attractive include:

- Guaranteed interest rate options with a fixed account;
- Guaranteed death benefit provisions; and
- Guaranteed payments for life.

The death benefit guarantee option available with some annuities ensures that, if you die prematurely, your beneficiaries will never get less than what you put into the annuity (less any withdrawals and surrender charges on those withdrawals).

Also, life expectancy is increasing, and annuity policyholders can elect to receive payments that are guaranteed for as long as they live—an option known as annuitization.

* Issued by New York Life Insurance and Annuity Corporation (A Delaware Corporation).

Flexibility is an important feature of LifeStages[®] annuity products. Contribution amounts as low as \$50 per month are permitted and the maximum is limited only by the legal limits on SEP contributions.

Trust the Strength of New York Life

It's important to learn all that you can about the products you are considering, but it's also important to trust the company that is providing the products for your SEP.

Since 1845, New York Life Insurance Company, the parent company of New York Life Insurance and Annuity Corporation (NYLIAC), has provided quality insurance products for individuals, families and businesses. The qualities of integrity, humanity and unwavering financial strength have stood behind the products we offer and the services we provide for 160 years. Moreover, as a mutual company owned solely by our policyholders, we can look past short-term goals and manage for the long-term interests of the clients we serve.

Call your New York Life agent and ask about SEPs today. Let an agent show you how to start making your retirement dreams a reality.

Please note: This brochure presents an overview of SEPs to acquaint you with general issues. It is not meant to provide specific advice. For specific tax and legal advice, and before establishing a retirement plan, consult your professional tax and legal advisors.

Annuities are known for offering a variety of attractive features. With money that is not tax-qualified, one of these attractive features is tax deferral. However, tax-qualified retirement plans (like IRAs, TSAs and SEPs) already provide tax deferral under the Internal Revenue Code, so the tax deferral of an annuity does not provide any additional benefits.



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