

Focus: Retirement plan services

Know your retirement plan options



**CAPITAL
GROUP**® | **AMERICAN
FUNDS**®



**A retirement plan could be
big for your small business**

Restaurants

Landscaping businesses

Bookstores

Design firms

Medical practices

Laundromats

Bakeries

Legal firms

Auto repair shops

Accounting services

Retail stores

Construction companies

Physical therapy offices

Real estate firms

Supermarkets

Bowling centers

Bed-and-breakfast inns

Locksmiths

Architecture firms

Diet centers

Funeral homes

Wedding consultants

Fitness centers

Printers

You may be self-employed.
Or have a handful of people or more working for you.
Either way, you're in good company.

**Yours is one of nearly 16 million small businesses
in the United States.***

16 million

Make it your business to plan for retirement. Discover the benefits of the right plan for your company.

*Number of U.S. businesses with 99 or fewer employees. North American Industry Classification System, October 2021, <https://www.naics.com/business-lists/counts-by-company-size/>

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

89%

of all companies
in America are
small businesses.*

As a business owner, you must effectively:

- Run your company
- Manage expenses
- Understand your industry or niche market
- Manage employees (if you have any)
- Market to your customers

But what about saving for retirement?

Small-business owners that expect the sale of their business to provide a major source of retirement income could fall short.

“The truth is that few people get as much for their business as they believe they should ... don’t rely on the sale of your business to fund all of your retirement.”†

Unfortunately, many small-business owners find they can’t sell when they want to – or need to. Some discover that the market value of their business doesn’t match their expectations. While succession planning makes sense, a good retirement plan can help you pursue your retirement goals.

*Number of U.S. businesses with 99 or fewer employees. North American Industry Classification System, October 2021, naics.com/business-lists/counts-by-company-size/

†How much money do business owners need to retire? Business Know-How, August 11, 2021

Ready to start a retirement plan?

34%

of small-business owners have not saved anything for retirement.*

47%

of small-business employees do not have access to a retirement plan to help themselves prepare for the future.†

So what's holding you back?

Do I have enough employees?

There are plans for businesses of every size, whether you have three employees or 300 – or even if you don't have any employees.

Aren't these plans expensive to offer?

A number of retirement plan solutions are more affordable than you might think. In some cases, your employees actually help pay for annual costs.

Small businesses may also qualify for federal tax credits as further incentive to establish a retirement plan. Ask your financial professional to learn more.

What if I can't afford to contribute to my employees' accounts?

Not all small-business retirement plans require the employer to contribute money. For those that do, your contributions are tax-deductible.

What if the economy gets worse?

Many plans offer flexibility in how you run the plan. You may be able to adjust employer contributions, if any, according to your circumstances and profitability. In some cases, you may even be able to discontinue contributions at any time.

Isn't it complicated to set up and maintain?

Today's small-business plans are relatively easy to set up and operate. Some have no annual Internal Revenue Service (IRS) reporting requirements. So you can focus on what's really important – running your business.

*"Small business owners need a nudge to offer retirement plans," planadvisor.com, April 17, 2019

†As of March, 2020. "67 percent of private industry workers had access to retirement plans in 2020," U.S. Bureau of Labor Statistics, March 1, 2021.

Consider the advantages.

As an employer, a company retirement plan may help you:

- Save for your own retirement
- Receive tax credits and other incentives from the federal government
- Attract – and keep – better employees
- Realize increased worker productivity, especially if your plan is connected to company profits
- Deduct all employer contributions from current taxes

Your employees (and you) may benefit because they can:

- Invest for the future
- Put away more money for retirement through most small-business plans than they might otherwise be able to save through an individual retirement account (IRA)
- Realize tax-deferred growth of investments
- Be more content (and therefore more motivated) with a benefits package that includes a company retirement plan
- Take advantage of the knowledge and experience of the financial professional associated with your plan

Did you know?

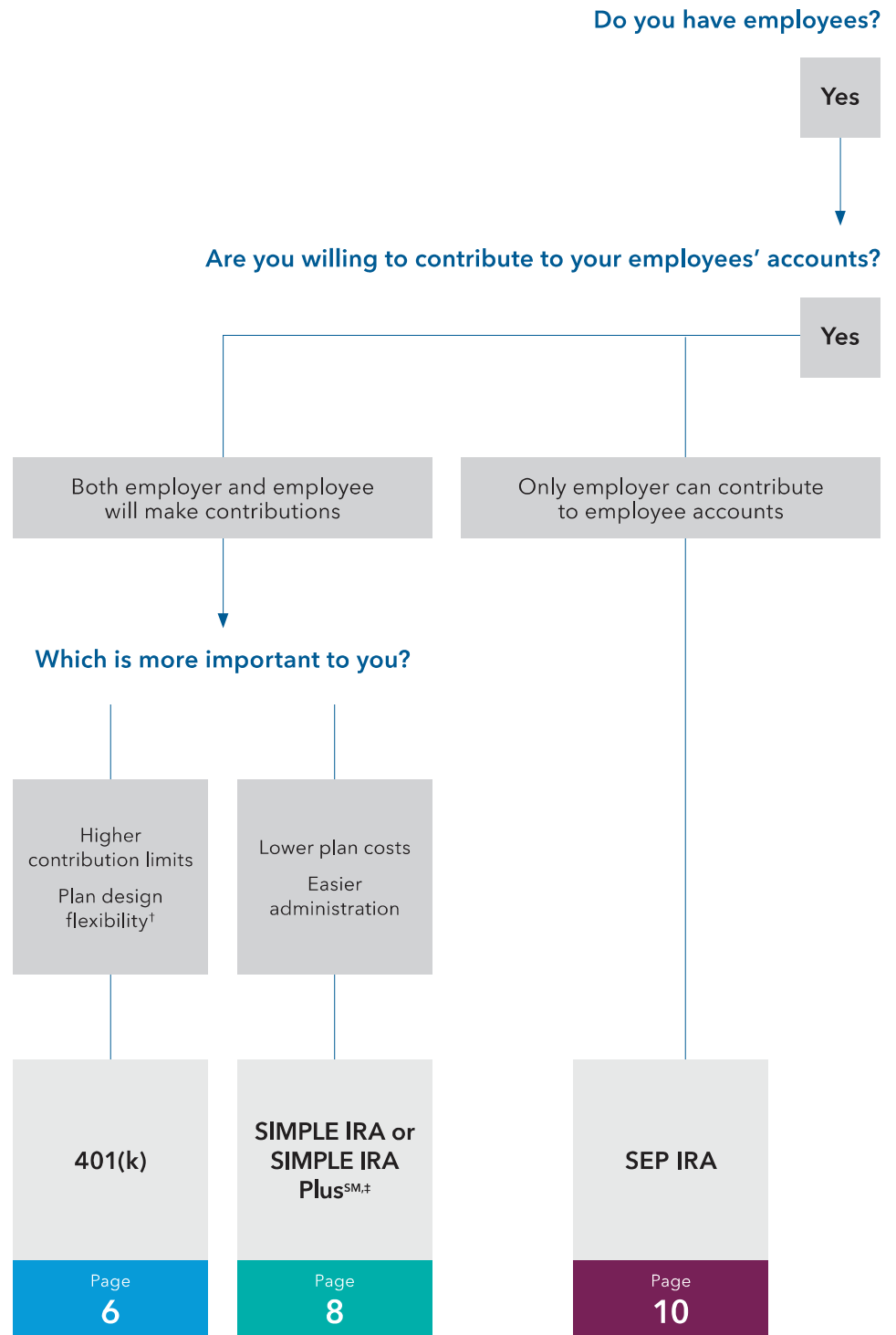
Some states and cities require, or are considering requiring, private-sector employers who don't offer workers a retirement plan to join a state-controlled program. Given the specific rules and restrictions of state plans, you may want to consider a traditional plan type when choosing the retirement plan that's best for your business.

Which retirement plan is right for you?

Use this chart as a guide to identify one or more retirement plan solutions that may meet your needs.*

Simply answer the questions and follow the flow as directed. When you reach a plan type, you can turn to the page that corresponds to it and learn more about that option.

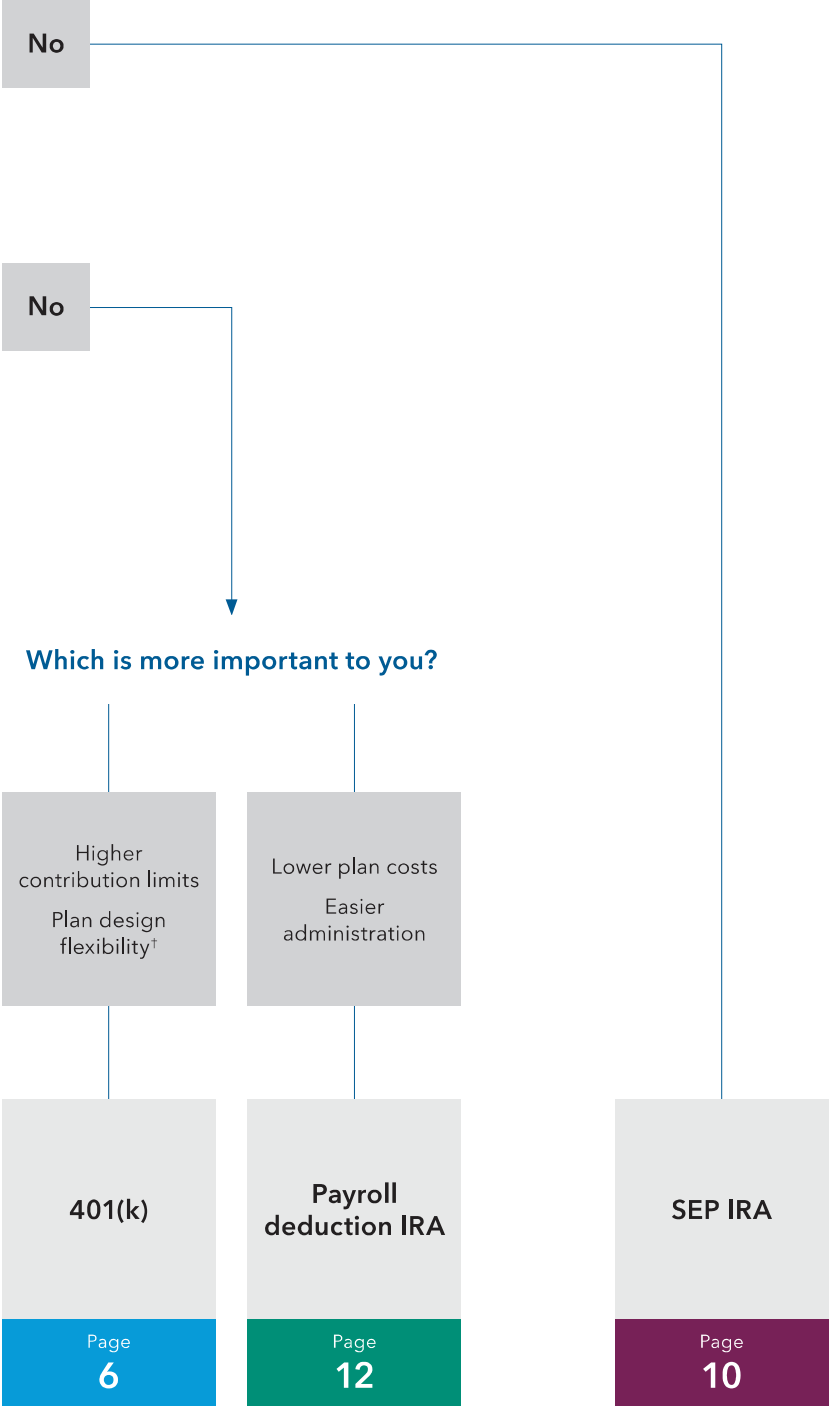
Or, for information on these retirement plans, visit capitalgroup.com/smallbiz.



*Chart does not include every kind of retirement plan available to employers.

†Optional features, loans, vesting, etc.

‡SIMPLE IRA Plus is a type of SIMPLE IRA plan available exclusively through Capital Group.



Next steps

Consult with your financial professional and/or tax advisor. While this brochure can give you an idea of which plan type may be right for you, these trained professionals will be able to confirm your findings or direct you to another plan that's better aligned with your specific needs and goals, and then assist you in setting up the plan.

401(k) plans

Available to:

Any employer

(except government entities)

“For new small business owners, sponsoring a 401(k) retirement plan for themselves and their employees may seem too complex and cost-prohibitive to even consider. However, [the SECURE Act] incentivizes employers to jump on board with this highly valued benefit offering.”*

– U.S. Chamber of Commerce,
March 16, 2020

*The SECURE Act (“Setting Every Community Up for Retirement Enhancement”) increased the maximum tax credit small business owners may receive for the first three years of the plan – now up to \$5,000. Small business owners who add an auto-enrollment feature to a new or existing plan can receive an additional \$500 tax credit each year for the first three years the feature is enabled.



Hypothetical case study†

A 401(k) plan really adds up for a CPA firm

The situation

The partners of certified public accountant (CPA) firm Foster, Dickson and Mann (FD&M) wanted to establish a program to save for retirement. At the same time, they wanted to address high turnover among the company’s junior associates and support staff as the practice hoped to expand its presence in the real estate market.

The solution

FD&M established a 401(k) plan with a safe harbor match feature. As a result, the plan is not subject to nondiscrimination tests as long as FD&M makes the necessary contributions and provides an annual notice to employees. Without the safe harbor, employee contributions by the higher paid partners would have been limited by the contributions of the rest of the staff, who earn less. The safe harbor enabled the partners to maximize their savings in the plan – with contributions that were far more than would be allowed if they were to invest in an IRA – and a mandatory employer match served to encourage employees to stay with the firm.

†Not an actual firm.

Advantages of a 401(k) plan

Employer:

- Participants contribute to their own accounts
- Employer contributions (including a match), if any, are deductible as business expenses
- Flexible program designs to suit employer needs
- Annual nondiscrimination testing is not required for some safe harbor 401(k) plans

Participants:

- High contribution limits
- Loans may be available

A 401(k) may not be appropriate for companies looking for a plan with little or no cost and/or IRS reporting requirements.

401(k) plans – a closer look									
Deadline to establish	A plan with a 401(k) feature must be adopted by the last day of the fiscal (plan) year; however, employee contributions may not be made prior to the plan adoption date								
Contributions	By employee and, if desired, by employer on a discretionary basis or through an optional employer match								
Contribution limits	<table border="0"> <tr> <td>Maximum participant contribution limit:</td> <td style="text-align: right;">\$20,500</td> </tr> <tr> <td>Additional catch-up contribution: (for those age 50 and older)</td> <td style="text-align: right;">\$ 6,500</td> </tr> <tr> <td>Total contributions:</td> <td style="text-align: right;">\$61,000/\$67,500</td> </tr> <tr> <td colspan="2">Maximum participant and employer contributions combined. Lesser of 100% of participant's compensation or \$61,000 (\$67,500 with age-based catch-up contributions).</td> </tr> </table>	Maximum participant contribution limit:	\$20,500	Additional catch-up contribution: (for those age 50 and older)	\$ 6,500	Total contributions:	\$61,000/\$67,500	Maximum participant and employer contributions combined. Lesser of 100% of participant's compensation or \$61,000 (\$67,500 with age-based catch-up contributions).	
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Total contributions:	\$61,000/\$67,500								
Maximum participant and employer contributions combined. Lesser of 100% of participant's compensation or \$61,000 (\$67,500 with age-based catch-up contributions).									
Investment decisions	Employee								
Vesting	Employer contributions may be subject to a schedule								
Ongoing maintenance	Annual Form 5500 filing and, depending on the plan, various annual notices may be required								
Annual nondiscrimination testing	Required (unless there is a safe harbor feature*)								

*If the plan meets safe harbor requirements, it is deemed to satisfy the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests and may qualify for top-heavy exemption.

SIMPLE IRA plans

Available to:

Generally, any employer with 100 or fewer employees

“A SIMPLE IRA (Savings Incentive Match Plan for Employees) allows employees and employers to contribute to traditional IRAs set up for employees. It is ideally suited as a startup retirement savings plan for small employers not currently sponsoring a retirement plan.”

– Internal Revenue Service, January 2022



Hypothetical case study*

Firm has designs for a better retirement

The situation

Entrepreneurs Lisa and Daniel faced financial challenges when they first started their graphic design firm. Now, with a few regular clients on the books and three full-time designers to help handle the workload, revenue has been steady. The company is also on the verge of signing a contract with an important new client that could help bring the company to the next level. But the business owners are cautiously optimistic – worried that they could lose their best designers to other job offers at such a critical time.

The solution

A financial professional suggested that a retirement plan might help Lisa and Daniel keep the talent they've acquired – and attract new designers when the time is right. He recommended a SIMPLE IRA so the owners could focus on the challenges of their business, not on managing their retirement plan. They decided to offer a 3% employer match as a way to encourage their staff to save in the plan, while giving them the flexibility to reduce the match if needed.

*Not an actual firm.

Advantages of a SIMPLE IRA plan

Employer:

- Low cost
- Employees contribute to their own accounts
- Employer match is a tax-deductible business expense
- Easy setup and administration
- No complex IRS reporting requirements

Participants:

- Contribution limits higher than with personal IRAs
- Employer makes a contribution to each participant's account
- Immediate vesting (money in employees' accounts is theirs to keep)

A SIMPLE IRA or SIMPLE IRA Plus plan may not be appropriate for employers who do not want to match their employees' contributions or for those looking for a loan option in the plan.

Additional advantages of a SIMPLE IRA Plus plan

SIMPLE IRA Plus is a type of SIMPLE IRA plan exclusively available at Capital Group. It offers all the same advantages of a SIMPLE IRA plan, plus the benefits and convenience of 401(k) plan features – without the higher price tag. Other features include:

- Qualified default investment alternative (QDIA) options
- Custom plan investment menus
- Select online enrollment capabilities

SIMPLE IRAs – a closer look

Deadline to establish	Between January 1 and October 1 of current year, unless it's a plan for a new business that was established after October 1 of the SIMPLE IRA setup year								
Contributions	Pretax contributions by employees plus a mandatory employer contribution of either: <ul style="list-style-type: none"> • Dollar-for-dollar match of up to 3% of compensation* or • Across-the-board 2% of compensation for all eligible employees† 								
Contribution limits	<table border="0"> <tr> <td>Annual maximum participant contribution limit:</td> <td style="text-align: right;">\$14,000</td> </tr> <tr> <td>Additional catch-up contribution: (for those age 50 and older)</td> <td style="text-align: right;">\$ 3,000</td> </tr> <tr> <td>Total contributions:</td> <td style="text-align: right;">\$28,000/\$34,000</td> </tr> <tr> <td colspan="2">Maximum participant and employer contributions combined (\$34,000 with age-based catch-up contributions)‡</td> </tr> </table>	Annual maximum participant contribution limit:	\$14,000	Additional catch-up contribution: (for those age 50 and older)	\$ 3,000	Total contributions:	\$28,000/\$34,000	Maximum participant and employer contributions combined (\$34,000 with age-based catch-up contributions)‡	
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Additional catch-up contribution: (for those age 50 and older)	\$ 3,000								
Total contributions:	\$28,000/\$34,000								
Maximum participant and employer contributions combined (\$34,000 with age-based catch-up contributions)‡									
Investment decisions	Made by employee								
Vesting	Immediate								
Ongoing maintenance	Annual notice to eligible employees (required)								
Annual nondiscrimination testing	Not required								

*Matching contributions may be reduced to a minimum of 1% for two of every five calendar years.

†Compensation on which the employer calculates the 2% contribution is limited to \$305,000 for 2022.

‡Maximum based on employer matching contributions of 3%, for participants earning at least \$466,667 annually (\$566,667 when the maximum catch-up amount is included).

SEP IRA plans

Available to:

Any employer or sole proprietor

“Self-employed workers and small-business owners who want an easy and inexpensive retirement plan should consider a Simplified Employee Pension IRA, or SEP IRA for short. ... The plans can be an especially attractive option for a small business with few employees.”

– Kiplinger, December 2021



Hypothetical case study*

New plan brings a smile to dental practice

The situation

Mindy has been a successful dentist for several years, with the help of two part-time dental assistants and two administrative employees. Next year, she would like to add a dental hygienist to expand the services her practice can offer patients. During an annual meeting to discuss finances, Mindy's tax advisor suggested that she look into ways to reduce current taxes.

The solution

Mindy turned to her financial professional, who recommended a SEP IRA – a retirement plan that could help attract a good hygienist and enable her to contribute an equal percentage of each eligible employee's compensation (including part-timers) to their retirement plan accounts. Given her income level, Mindy can save far more money in a SEP account than she'd be able to in a SIMPLE IRA. Her contributions would be tax-deductible and, if she establishes the SEP account this year before filing her extended October 15 return, she can still generate a large deduction on last year's taxes. Best of all, employer contributions are discretionary, so Mindy could contribute less – or nothing at all – in years when business is lean.

*Not an actual firm.

Advantages of a SEP IRA plan

Employer:

- Low cost
- Employer contributions are deductible business expenses
- Flexible contribution limits; you decide how much to contribute
- Annual contributions are not required
- Easy setup and administration
- Minimal paperwork; no complex IRS reporting requirements
- Ability to discontinue the plan at any time
- Limited fiduciary responsibility*

Participants:

- Employer contributes to each participant's account
- Immediate vesting (money in employees' accounts is theirs to keep)

*Employers have limited liability since participants make their own investment decisions.

A SEP IRA may not be appropriate for employers who do not want to contribute to their employees' accounts or for those looking for a loan option in the plan.

SEP IRAs – a closer look	
Deadline to establish	By employer's tax-filing deadline (including extensions)
Contributions	By employer only on a discretionary basis; generally must be the same percentage for every employee
Contribution limits	Maximum employer contribution limit: lesser of 25% of participant's compensation [†] or \$61,000
Investment decisions	Employee
Vesting	Immediate
Ongoing maintenance	No annual filings or annual disclosures required
Annual nondiscrimination testing	Top-heavy testing applies

[†]Compensation on which the employer calculates the contribution is limited to \$305,000 for 2022.

Payroll deduction IRAs

Available to:

Any employer or sole proprietor

“Want to help your employees save for retirement but don’t want the responsibility of an employee benefit plan? ... A payroll deduction individual retirement account (IRA) is an easy way for businesses to give employees an opportunity to save for retirement.”

– U.S. Department of Labor, November 2020



Hypothetical case study*

Employees get a sweet reward

The situation

Luke is passionate about baking. He opened a bakery, serving his favorite family treats. Like many small business owners, he’s had good years and lean years. A small, close-knit staff has been on the payroll for some time now, and he wishes he could afford to do something for his employees who have become like family. At the same time, he’d like to put some money away for his own retirement.

The solution

A financial professional suggested a way to help Luke reward the staff he’s come to know and trust. She explained that he didn’t need to be a retirement plan expert to start a payroll deduction IRA program. It wouldn’t cost anything to set up, and the employees themselves would fund their own accounts from there.

*Not an actual firm.

Advantages of a payroll deduction IRA program

Employer:

- Low cost
- Employee contributions are automatically deducted from their paychecks and deposited in their own accounts
- Easy setup and administration
- Simplified IRS reporting requirements
- Limited fiduciary responsibility*

Participants:

- Choice of IRA – traditional or Roth
- Control – employees decide how much and how often to contribute
- IRAs may be funded for a nonworking spouse
- Immediate vesting (money in employees' accounts is theirs to keep)
- Ability to make withdrawals at any time, subject to tax and possible penalties

*Employers have limited liability since participants control their own investment choices.

A payroll deduction IRA may not be appropriate for employers who want to make larger annual investments toward their own retirement. Program also has no loan option.

Payroll deduction IRAs – a closer look

Deadline to establish	Can be started anytime				
Contributions	By employees only				
Contribution limits	<table border="0"> <tr> <td>Maximum participant contribution:</td> <td style="text-align: right;">\$6,000</td> </tr> <tr> <td>Additional catch-up contribution: (for those age 50 and older)</td> <td style="text-align: right;">\$1,000</td> </tr> </table>	Maximum participant contribution:	\$6,000	Additional catch-up contribution: (for those age 50 and older)	\$1,000
Maximum participant contribution:	\$6,000				
Additional catch-up contribution: (for those age 50 and older)	\$1,000				
Investment decisions	Employee				
Vesting	Immediate				
Ongoing maintenance	No annual filings or annual disclosures are required				
Annual nondiscrimination testing	Not required				

The Capital Advantage[®]

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital SystemSM – has resulted in superior outcomes.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 27 years of investment industry experience, including 21 years at our company, reflecting a career commitment to our long-term approach.¹

The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

American Funds' superior outcomes

Equity funds have beaten their Lipper peer indexes in 90% of 10-year periods and 99% of 20-year periods.² Fixed income funds have helped investors achieve diversification through attention to correlation between bonds and equities.³ Fund management fees have been among the lowest in the industry.⁴

¹ Investment industry experience as of December 31, 2021.

² Based on Class F-2 share results for rolling calendar-year periods starting the first full calendar year after each fund's inception through December 31, 2021. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary.

³ Based on Class F-2 share results as of December 31, 2021. Thirteen of the 17 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation below 0.3. Standard & Poor's 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how two securities move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one security moves, either up or down, the other security will move in "lockstep," in the same direction. A negative correlation close to -1 indicates that the securities have moved in the opposite direction.

⁴ On average, our management fees were in the lowest quintile 63% of the time, based on the 20-year period ended December 31, 2021, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Visit capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale.

Although Class F-2 shares are not available for purchase by retirement plans, their results reflect the investment management experience of Capital Group without retirement plan recordkeeping expenses. Capital Group offers plan sponsors flexibility in how they pay for plan operating expenses (such as recordkeeping fees) through distinct retirement plan share classes.

Follow us 

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

Tax issues involving IRAs can be complex. Please consult with your tax or legal professional before making any decisions.

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