AMERICAN FUNDS®
From Capital Group

Focus:
Retirement Plan Services

Small-Business Retirement Plan Options

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 therapist 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 28 million small businesses in the United States.

28 million

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

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

99%

of all companies in America are small businesses

As a business owner, you must effectively:

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

But what about saving for retirement?

According to the Small Business Administration, that's where too many small-business owners fall short.

"For many reasons, saving for retirement is difficult for [business] owners, but perhaps the biggest mistake many make is assuming that they do not need to save – that one day they will sell their business and live off the proceeds."

– *The New York Times*, 7/24/2013

Ready to Start a Retirement Plan?

35%

of small-business owners are not confident about their own retirement savings*

76%

of small-business owners offer no 401(k) plan as a way to help themselves and their employees secure a better retirement*

So what's holding you back?

I don't think I have enough employees.

There are plans for businesses of every size, whether you have 3 employees or 300. Even if you don't have *any* employees.

Aren't they 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. And you may qualify for a federal tax credit, which can help you pay for start-up costs during the first three years of the plan – up to $500 per year.

What if the economy gets worse?

Many plans offer flexibility in how you run the plan. You can 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.

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.

It sounds complicated.

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

* Sharebuilder401k.com, 7/2013

Take advantage of the opportunity

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:

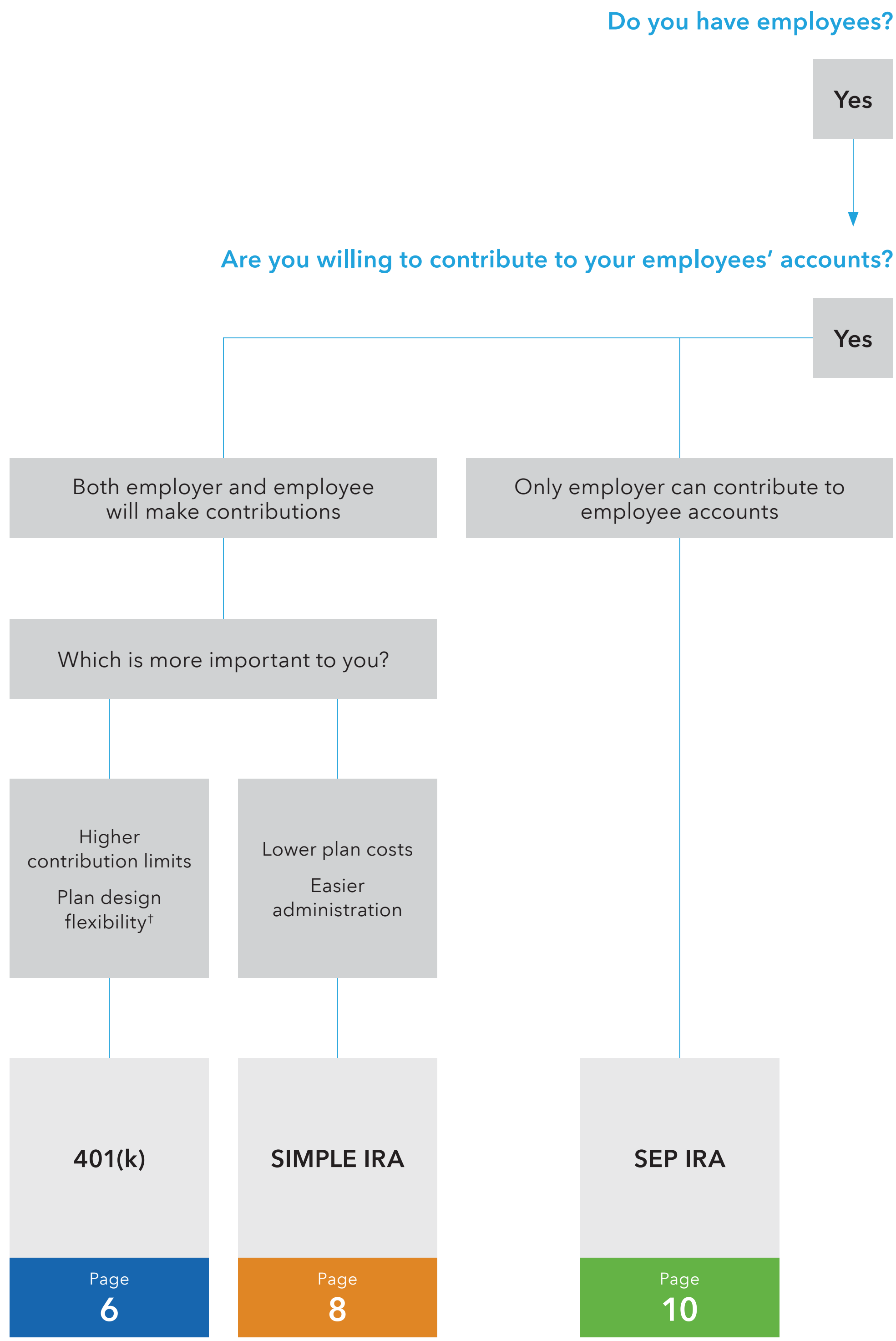
- Invest for the future
- Put away more money for retirement through most small-business plans than they might otherwise be able to save through a personal IRA account
- Realize tax-deferred growth of their investments
- Be more content (and therefore more motivated) with a benefits package that includes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

Which Retirement Plan is Right for You?

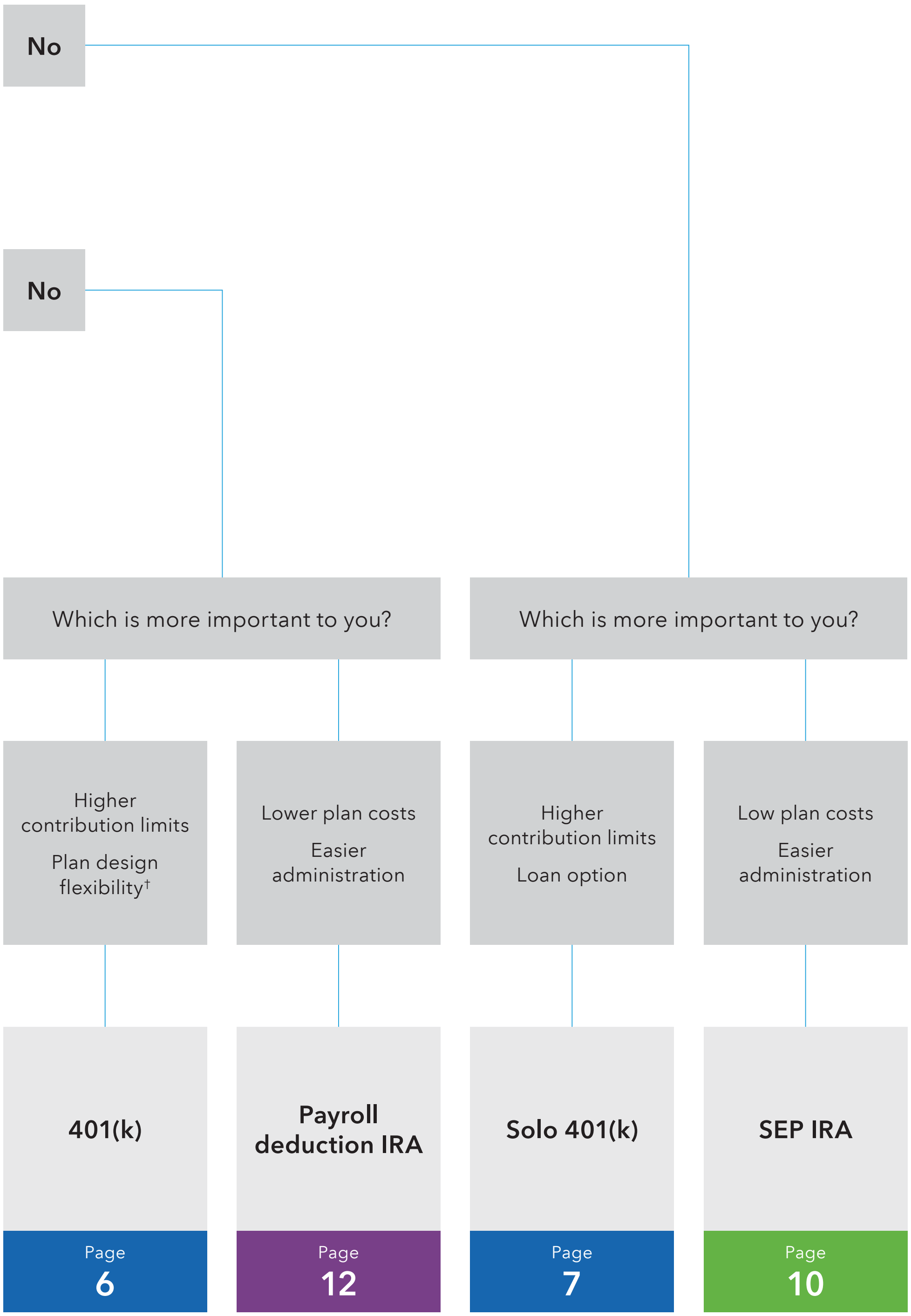
Use this chart as a guide to identify one or more retirement plan solutions that may meet your needs.*

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 **americanfunds.com/smallbiz**.



* Chart does not include every kind of retirement plan available to employers.
† Optional features, loans, vesting, etc.



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 is 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)

"You don't have to be a large, profitable business with an equally large staff to start a 401(k). There are now plans to cover the span of business models, from the owner-only startup to the global enterprise."

– StartupNation.com

Hypothetical case study*

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

The situation

The partners of certified public accountant firm Foster, Dickson and Mann (FD&M) were looking to establish a program that would allow them to save for retirement. At the same time, they wanted to address an issue of high turnover among the company's junior associates and support staff as the practice looked to solidify its presence in the real estate market niche.

The solution

FD&M established a 401(k) plan with a safe harbor feature. By including this safe harbor feature the plan is not subject to nondiscrimination tests if FD&M makes the necessary contributions and provides annual notice to employees. Without the safe harbor, a match subject to vesting – the time period required for employer contributions to become the employees' to keep – might have had a positive effect on staff turnover. However, investments by the higher-paid partners would have been limited by the contributions of the rest of the staff, who make less. The safe harbor allowed 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:

- Employees contribute to their own accounts
- Employer contributions (including match), if any, are deductible business expenses
- Flexible program designs to suit employer needs
- Annual nondiscrimination testing is not required for Safe Harbor 401(k) plans

Participants:

- High contribution limits
- Participant loans available

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

Self-employed? Consider a Solo 401(k)

A Solo 401(k) offers many of the advantages of a regular 401(k), including flexible contributions – possibly up to 100% of your compensation – and the ability to take loans. The Solo 401(k) has the added benefit of low-cost setup and filing of Form 5500 may not be necessary. And it can cover both you and a spouse or partner.

401(k) plans – a closer look	
Deadline to establish	Plan 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	Maximum participant contribution limit: $18,000 Additional catch-up contribution: $ 6,000 (for those age 50 and older) Total contributions: $53,000/$59,000 Maximum participant and employer contributions combined. Lesser of 100% of participant's compensation or $53,000 ($59,000 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

SIMPLE IRAs

Available to:

Generally, any employer with 100 or fewer employees

"What really makes the SIMPLE IRA stand out is that the employer is required to make a contribution on the employee's behalf in one of the following ways: Either dollar for dollar, up to 3 percent of the employee's salary or a flat 2 percent of pay, regardless of whether the employee contributes to the account. You, the employer, will benefit from major tax deductions, both from your own contributions and employee deferrals. You will also have the added benefit of attracting and retaining quality employees."

– Moneywatch, cbsnews.com 11/2014

Hypothetical case study*

Firm has designs for a better retirement

The situation

Lisa and Sharon, best friends from college, started a graphic design firm when they graduated. Things were difficult at first for the entrepreneurs. 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 Lisa and Sharon are cautiously optimistic – worried that they could lose their best designers to other job offers at such a critical time.

The solution

A financial advisor suggested that a retirement plan might help Lisa and Sharon 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.

* 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
- Reduced fiduciary responsibility*

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)

* Employers have limited liability since accounts are set up for each eligible employee and participants control their own investment choices.

A SIMPLE IRA 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.

SIMPLE IRAs – a closer look	
Deadline to establish	Between January 1 and October 1 of the current year, unless it's a plan for a new business that was established after October 1 of the SIMPLE IRA plan set-up year.
Contributions	By employees Plus a mandatory employer contribution of either: • dollar-for-dollar match up to 3% of compensation (in tougher times, you may reduce the match to as little as 1%, but for no more than two of every five consecutive years) or • across-the-board 2% of compensation for all eligible employees
Contribution limits	Maximum participant contribution limit: $12,500 Additional catch-up contribution: $ 3,000 (for those age 50 and older) Total contributions: $25,000/$28,000† Maximum participant and employer contributions combined; $25,000 subject to 3% employer-match limit or 100% of participant's compensation ($28,000 with age-based catch-up contributions and employer match).
Investment decisions	Employee
Vesting	Immediate
Ongoing maintenance	Annual notice to eligible employees
Annual nondiscrimination testing	Not required

† To receive the maximum contribution, participants must earn at least $416,667 annually.

SEP IRAs

Available to:

Any employer or sole proprietor

"A SEP IRA requires very little administration and tax filing is not required ... This could be the right choice for you if you want to make sizable retirement plan contributions for yourself and any eligible employees."

– NewRetirement.com

Hypothetical case study*

New plan brings smile to dental practice

The situation

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

The solution

Manny turned to his financial advisor, who recommended a SEP IRA – a retirement plan that could help him attract a good hygienist and allow him to contribute an equal percentage of each eligible employee's compensation (including part-timers) to their retirement plan accounts. Given his income level, Manny can sock away far more in a SEP account than he'd be able to in a SIMPLE IRA, his contributions would be tax-deductible and, if he establishes the SEP this year before filing his extended October 15 return, he can still generate a large deduction on last year's taxes. Best of all, employer contributions are discretionary; so Manny 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
- Minimum paperwork; no complex IRS reporting requirements
- Ability to discontinue the plan at any time
- Reduced 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 accounts are set up for each eligible employee and participants control their own investment choices.

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
Contribution limits	Maximum employer contribution limit: lesser of 25% of participant's compensation or $53,000
Investment decisions	Employee
Vesting	Immediate
Ongoing maintenance	No annual filings or annual disclosures required
Annual nondiscrimination testing	Top-heavy test may apply to some plans

Payroll Deduction IRAs

Available to:

Any employer or sole proprietor

"Providing valuable benefits for your employees doesn't have to be difficult or costly. With a Payroll Deduction IRA service, it isn't – in fact, it has no cost to the employer. It's basically the employees' own IRAs."

– FileTax.com

Hypothetical case study*

Employees get their just desserts

The situation

Benny and Judy DiCarlo share a passion for cooking. They opened an Italian restaurant, serving their favorite family recipes. Like many small businesses, they've had good years and lean years. A small, close-knit staff has been on the payroll for some time now, and the DiCarlos wish they could afford to do something for these people who have become like family. At the same time, they'd like to put some money away for their own retirement.

The solution

The DiCarlos' financial advisor came up with an idea that can help them reward the staff they've come to know and trust. He explained that Benny and Judy didn't need to be retirement plan experts 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 to their own accounts
- Easy setup and administration
- No complex IRS reporting requirements
- Reduced fiduciary responsibility*

Participants:

- Choice of IRA – a traditional or a Roth IRA
- 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 accounts are set up for each eligible employee and 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	Maximum participant contribution:	$5,500
	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 American Funds Advantage

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record.

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 experience, including 22 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

Our investment process, The Capital System, combines individual accountability with teamwork. Each fund is 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.

Superior Long-Term Track Record

Our equity funds have beaten their Lipper peer indexes in 91% of 10-year periods and 96% of 20-year periods. Our fixed-income funds have beaten their Lipper indexes in 54% of 10-year periods and 57% of 20-year periods.[2] Our fund management fees have been among the lowest in the industry.[3]

[1] Portfolio manager experience as of December 31, 2014.

[2] Based on Class A share results for rolling periods through December 31, 2014. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except SMALLCAP World Fund, for which the Lipper average was used). Although Class A shares are available for purchase by retirement plans only in limited instances, their results reflect the investment management experience of the American Funds without retirement plan recordkeeping expenses. American Funds offers plan sponsors flexibility in how they pay for plan operating expenses (such as recordkeeping fees) through seven distinct retirement plan share classes. Expenses differ for each share class, so results will vary.

[3] On average, our management fees were in the lowest quintile 70% of the time, based on the 20-year period ended December 31, 2014, versus comparable Lipper categories, excluding funds of funds.

In addition to the more than 40 American Funds, we offer the American Funds Target Date Retirement Series® (available for IRAs and tax-deferred retirement plans), as well as CollegeAmerica,® a 529 college savings plan sponsored by Virginia529,SM Coverdell Education Savings Accounts, the American Funds Insurance Series® variable annuity funds and a full line of retirement plan solutions. For details, please contact your financial professional or visit americanfunds.com.

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.

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

American Funds from Capital Group

Lit. No. IRGEBR-017-0515 Litho in USA CGD/L/10130-S43132 Printed on recycled paper