Know your retirement plan options

CAPITAL GROUP®

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

Whether you're self-employed or have people working for you, you're in good company.

Yours is one of more than 15 million small businesses in the United States.*

15 million

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

Footnote/Important information:

*Number of U.S. businesses with 99 or fewer employees. North American Industry Classification System, December 2024, **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.

Nearly **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
- Hire and manage employees (if you have any)
- Market to your customers

But what about saving for retirement?

With so many other responsibilities to juggle, your retirement savings can get lost in the shuffle.

> "For many business owners, their companies are more than just a way to support themselves during their working years — they're also their retirement plans… this strategy comes with risks."[†]

Unfortunately, you may not be able to sell when you want or need to retire. And at that time, your business may not be valued as you hoped. A good retirement plan can not only enable you and your employees to pursue your retirement goals, it may actually help you with many aspects of your business—from recruiting and retention of talent to boosting revenue to reducing your tax bill—if you take advantage of available credits and deductions.

Scan this QR code to learn more about the tax credits available for startup plans:

Take advantage of tax credits

The SECURE 2.0 Act strengthened the existing startup tax credit on employer costs, to up to 100% of costs for certain smaller employers. Even more significantly, the bill created a new tax credit that reimburses small businesses for a portion of the amount of employer contributions made. Employers can also earn a tax credit for adding or, in the case of a startup plan, including an automatic enrollment feature as part of their plan.

Footnotes/Important information:

*Number of U.S. businesses with 99 or fewer employees. North American Industry Classification System, December 2024, https://www.naics.com/business-lists/counts-by-company-size/

[†]Source: Stephen Dunbar, June 10, 2024. "Why Your Business Shouldn't Be Your Only Retirement Plan," Kiplinger.

Ready to start a retirement plan?

41%

of U.S. small businesses still don't offer a retirement savings plan.*

41%

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 – 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 can 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.

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.

Footnotes/Important information:

*U.S. Bureau of Labor Statistics, *Retirement benefits: Access, participation and take-up rates for private industry businesses with 1-99 workers.* March 2025.

†As of March 2025. U.S. Bureau of Labor Statistics, Employee Benefits in the United States Summary, private industry data.

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 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-advantaged 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

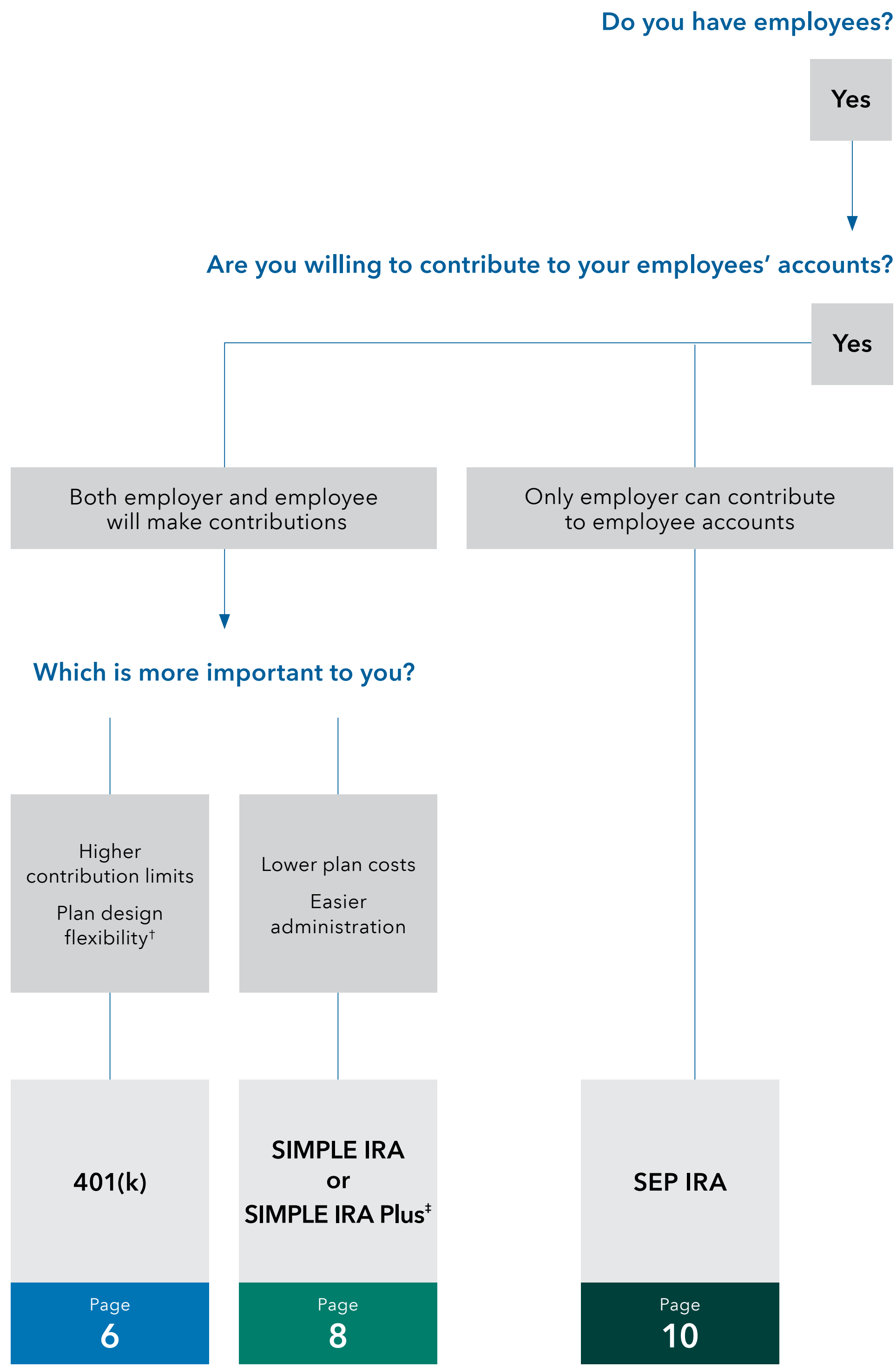
Did you know?

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.

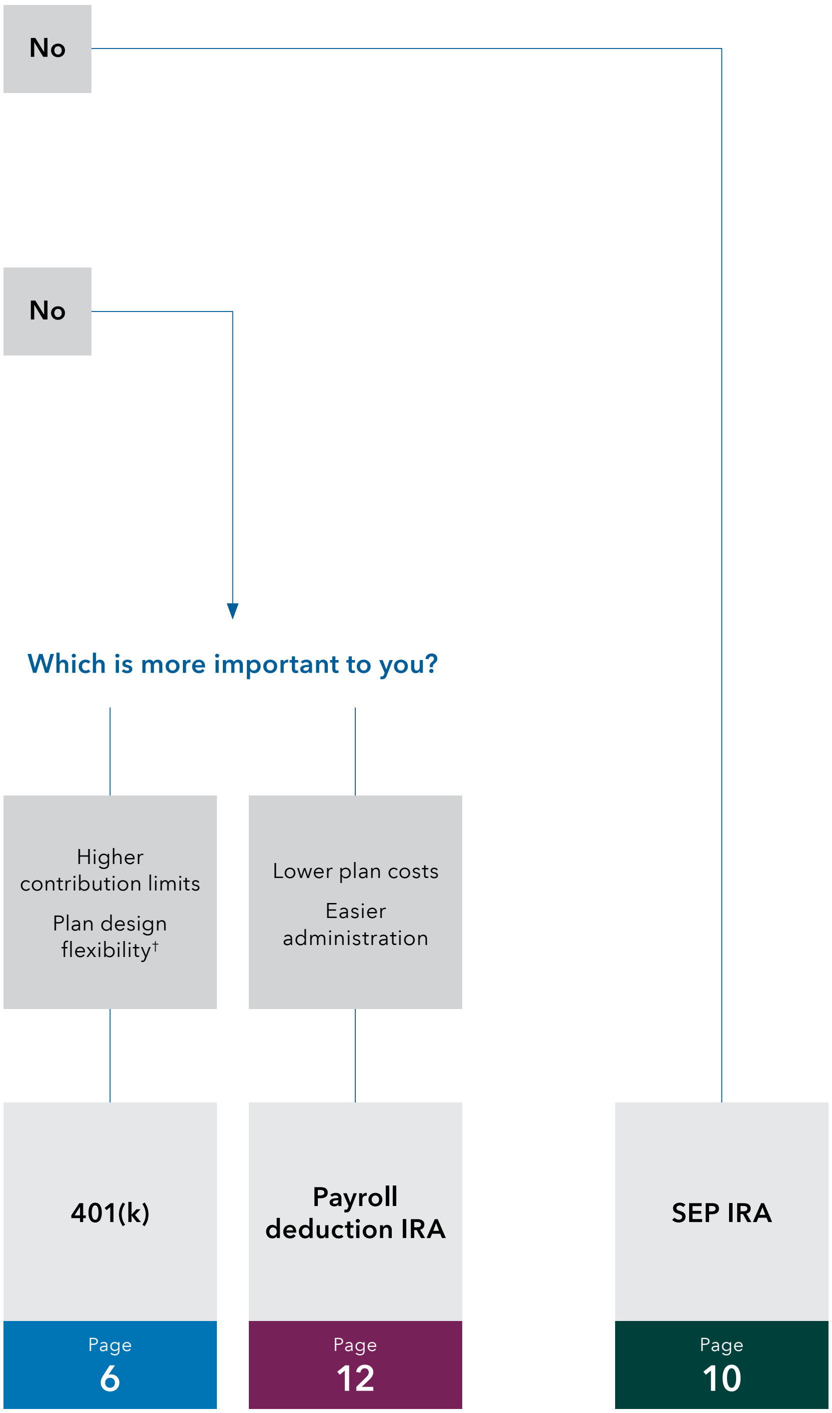
Which retirement plan is right for you?

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.



Footnotes/Important information:
*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.

Footnote/Important information:
†Optional features, loans, vesting, etc.

401(k) plans

Available to:

Any employer

(except government entities)

"Think that 401(k) plans are an expensive benefit reserved exclusively for large businesses with deep pockets? Think again. While this may have been a reality in the past, many companies – including small businesses – aren't aware that 401(k) plans can be affordable and attainable."

– [Human Interest, "How much does a 401(k) cost small business employers?"]
May 2, 2025

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 safe harbor 401(k), a type of plan that is exempt from nondiscrimination testing – annual tests required by the IRS to ensure a plan doesn't discriminate in favor of highly paid employees – as long as the employer structures their contributions to meet safe harbor requirements and provides an annual notice. Without the safe harbor, employee contributions by the higher paid partners may 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.

Footnote/Important information:
[†]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 For 2026	Maximum participant contribution limit:	$24,500
	Additional catch-up contribution: (Ages 50-59 and 64+)*	$8,000
	Total contributions: Maximum participant and employer contributions combined. Lesser of 100% of participant's compensation or $72,000 (not including catch-up contributions)	$72,000
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)†	

Footnotes/Important information:
*The catch-up contribution limit for those who reach age 60 to 63 in 2025 is $11,250.
†If the plan meets safe harbor requirements, it is deemed to satisfy key nondiscrimination tests and may qualify for an exemption to top-heavy testing, which compares the value of key employees' accounts to all participant accounts.

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

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:

- Option to set a qualified default investment alternative (QDIA), a default investment designed to help improve outcomes if participants don't select their investments
- Custom plan investment menus
- Select online enrollment capabilities
- Roth contributions available†

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 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.

Footnote/Important information:
*Not an actual firm.
†Only employee Roth deferrals are available at this time.

Advantages of a SIMPLE IRA plan

Employer:

- Typically lower cost than a 401(k) plan
- 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.

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
Employee contributions For 2026	• **For plans with 25 or fewer employees, maximum employee contributions are $18,100.** Additional catch-up contributions can be made in the amount of $3,850 for those age 50-59, $5,250 for those age 60 to 63, and $3,850 for those age 64 and over. • **For plans with 26+ employees, maximum employee contributions are $17,000.** Additional catch-up contributions can be made in the amount of $4,000 for those age 50-59, $5,250 for those age 60 to 63, and $4,000 for those age 64 and over. However, these plans can qualify for the higher employee contribution limit of $18,100 (and $3,850 catch-up) by opting to make higher mandatory employer matching contributions of 4% of compensation or nonelective contributions of 3%.
Employer contributions	**Mandatory;** either: • A dollar-for-dollar match of up to 3% of compensation[1]; or • A non-elective contribution of 2% of compensation for all eligible employees[2] **Optional:** A non-elective contribution may be made to each eligible employee, in addition to mandatory contributions, in a uniform percentage up to 10% of compensation[4] but not to exceed $5,300
Investment decisions	Made by employee
Vesting	Immediate
Ongoing maintenance	Annual notice to eligible employees (required)
Annual nondiscrimination testing	Not required

Footnotes/Important information:

[1] Matching contributions may be reduced to a minimum of 1% for no more than two of every five calendar years.

[2] The compensation that can be taken into account when determining non-elective contributions is limited to $360,000 for 2026.

SEP IRA plans

Available to:

Any employer or sole proprietor

"The Simplified Employee Pension (SEP) IRA is an excellent choice for the sole proprietor who wants to save for retirement with a minimum of administrative headache... a SEP IRA can cover employees, thus allowing greater scope for business growth. The plan is easy to set up and maintain."

– Rebecca Baldrige, "Best Retirement Plans for Small Businesses in 2022," Inc., February 2022.

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. 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.

Footnote/Important information:
*Not an actual firm.

Advantages of a SEP IRA plan

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.

Employer:

- Typically lower cost than a 401(k) plan
- 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)

Footnote/Important information:
*Employers have limited liability since participants make their own investment decisions.

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 For 2026	Maximum employer contribution limit: lesser of 25% of participant's compensation† or $72,000
Investment decisions	Employee
Vesting	Immediate
Ongoing maintenance	No annual filings or annual disclosures required
Annual nondiscrimination testing	Top-heavy testing applies

Footnote/Important information:
†The 2026 compensation limit is $360,000 when determining maximum contributions. Contribution percentages are calculated based on the compensation limit; for example, for 2026 a 5% contribution would be capped at $17,500 even if a participant makes more than $360,000.

Payroll deduction IRAs

Available to:

Any employer or sole proprietor

“The Payroll Deduction IRA is probably the simplest retirement arrangement that a business can have... [It] is essentially a ‘no fuss, no muss’ situation.”

– Internal Revenue Service, "Choose a payroll deduction IRA," May 27, 2025.

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.

Footnote/Important information:
*Not an actual firm.

Advantages of a payroll deduction IRA program

Employer:

- No cost to the employer as employees pay account costs
- 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, with pre-tax contributions, or Roth, with post-tax contributions
- 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

Footnote/Important information:
*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 For 2026	Maximum participant contribution:	$7,500
	Additional catch-up contribution: (for those age 50 and older)	$1,100
Investment decisions	Employee	
Vesting	Immediate	
Ongoing maintenance	No annual filings or annual disclosures are required	
Annual nondiscrimination testing	Not required	

The Capital System™

Since 1931, Capital Group has helped investors pursue long-term investor success. Our distinctive investment approach – The Capital System – is designed to deliver superior investment results. It rests on three pillars:

Collaborative research

Our portfolio managers, analysts, economists and quantitative research teams closely collaborate on our research process – sharing and debating ideas. This collaboration generates deeper insights that inform our portfolios.

Diverse perspectives

Most portfolios have multiple portfolio managers, each of whom invests part of the portfolio in their strongest individual convictions. Combining these diverse investment approaches into a single portfolio helps us pursue more consistent results, with less volatility.

Long-term view

Investment professionals invest with a long-term view, which we believe aligns our goals with the interests of our clients. Managers are rewarded more for their long-term results,[1] and most personally invest in the funds they manage.[2] Our fund management fees are among the lowest in the industry.[3]

A history of strong investment results

Over the past 40 years, 74% of funds outpaced more than half of their respective peers when comparing average 10-year rolling returns. And 71% had higher risk-adjusted returns (as indicated by the Sharpe ratio[4]) over that same time frame.[5]

Footnotes/Important information:

[1] Compensation paid to our investment professionals is heavily influenced by results over one-, three-, five- and eight-year periods, with increasing weight placed on each succeeding measurement period to encourage a long-term investment approach.

[2] Ninety-seven percent of American Funds® assets are invested in mutual funds in which at least one manager has invested more than $1 million. Source: Morningstar. Data as of 2/15/25.

[3] On average, our mutual fund management fees were in the lowest quintile 49% of the time, based on the 20-year period ended December 31, 2024, versus comparable Lipper categories, excluding funds of funds.

[4] Sharpe ratio uses standard deviation (a measure of volatility) and return in excess of the risk-free rate to determine reward per unit of risk. The higher the number, the better the portfolio's historical risk-adjusted performance.

[5] Methodology: Data as of 12/31/24. Based on a comparison of each fund with its respective Morningstar category peers. Data are based on the following mutual fund share classes: Class F-2, Class M, Class 529-A, Class 1, Class P-2 and Class 4. One share class was used per fund. The analysis uses Morningstar hypothetical methodology to calculate hypothetical fund results for periods before a share class's inception. For those periods, Morningstar uses results for the oldest share class (unless the newer share class is more expensive). Source: Capital Group, based on mutual fund data from Morningstar. For each fund, we calculated the average rolling Sharpe ratio and return over the 40-year period (or the fund's lifetime, if it lacks a 40-year history). That average rolling return and Sharpe ratio were compared against the equivalent averages for each fund's respective Morningstar peers on a percentile basis. Rolling returns are calculated monthly.

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.

There have been periods when the funds have lagged their indexes.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

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