American Funds®

The right choice for the long term®

Financial adviser's guide to SIMPLE IRAs

How to prospect and sell

1. Target prospects who will benefit:

- Companies with 100 or fewer employees (also available to state and local governments)
- Companies with no other retirement plan
- Companies with stable profits and low employee turnover

2. Contact prospects:

- Use the American Funds SIMPLE IRA prospecting postcard and follow up with each prospect by phone.
- Mention the general business advantages of SIMPLE IRAs:
  - — All contributions are tax-deductible.
  - — They can be used to attract and retain quality employees (even the smallest companies today offer retirement plans).
- Emphasize the benefits of an American Funds SIMPLE IRA:
  - — Features a variety of American Funds investments
  - — Is inexpensive to administer
  - — Allows for easy, accurate and immediate submission of investments electronically via Automated Clearing House (ACH)
  - — Involves minimal administrative responsibilities
  - — Requires no ADP or ACP testing (deferrals of highly compensated employees aren't dependent on participation by lower paid employees)
  - — Not subject to top-heavy rules
  - — Provides an incentive for employee participation (all employer and employee contributions are immediately vested)
  - — Allows employers to exclude employees who haven't made at least $5,000 a year during any previous two years and who aren't expected to make at least $5,000 this year

3. Prepare your sales presentation:

- Select an appropriate mix of the American Funds to present to your prospect.
- Be ready to supply the following information:
  - — Employers are required to make either a dollar-for-dollar match (limited to 3% of each eligible employee's compensation) or a contribution equal to 2% of each eligible employee's compensation per year ($245,000 in 2009, adjusted for inflation in future years). The 2% contribution may be limited only to employees who have earned at least $5,000 this year.
  - — Employers can change their contribution option annually, even adjusting the match to as little as 1% of participating employees' compensation — limited to two years in any five-year period.
  - — Loans are not permitted.
  - — Employers may *not* maintain any other retirement plan.
  - — For 2009, employees can contribute up to $11,500. Employees 50 and older can contribute up to $14,000.
  - — Plans can be established anytime between January 1 and October 1.
  - — The cost is $10 per participant for setup and $10 annually for maintenance.
- Order the sales materials you'll need for the client presentation:
  - — *A Portfolio for Every Investor*
  - — *SIMPLE IRA Plan Sponsor Guide*
  - — *SIMPLE IRA Employee Guide*
  - — *Your Ticket to Retirement* stand-alone educational primer

4. Close the sale:

- Meet with your prospect and point out the benefits of an American Funds SIMPLE IRA plan using the *SIMPLE IRA Plan Sponsor Guide*.
- Demonstrate your commitment to participant education with the stand-alone primer, *Your Ticket to Retirement*.
- Walk the prospect through your fund suggestions using *A Portfolio for Every Investor*, then agree on a final mix of the American Funds for the plan.
- Have the plan sponsor complete the *SIMPLE IRA Adoption Agreement* (on pages 5 and 6 in the *SIMPLE IRA Plan Sponsor Guide*).
- Set a date to present the plan to the employees.
- Download an American Funds enrollment meeting presenter's guide — *Your Blueprint to a Better Enrollment Meeting* — from our adviser website.

American Funds SIMPLE IRAs

How to install and service the plan

1. **Prior to the enrollment meeting:**
   - Ask the plan sponsor whether the company will pay the $10 per participant setup fee or if it should be deducted from each participant's account.
   - Have the plan sponsor notify employees about the plan using the *SIMPLE IRA Notification to Eligible Employees*, available by visiting **americanfunds.com/adviser** (select "Forms and Literature," then type "SIMPLE IRA Notification" in the search box). Invite eligible employees to the enrollment meeting. Remind the client to plan ahead — employees must be allowed 60 days to enroll in the plan after notification.
   - Fill out a *SIMPLE IRA Enrollment Meeting Literature Request* (available at **americanfunds.com/adviser**) for enrollment brochures and additional communications.

2. **At the enrollment meeting:**
   - Provide employees with the *SIMPLE IRA Employee Guide*, the stand-alone educational primer and prospectuses for all the plan's investment options, as well as copies of the plan sponsor's:
     — Salary Deferral Agreement (a model agreement can be found on page 11 of the *SIMPLE IRA Employee Guide)*
     — *Summary Description for the SIMPLE IRA Plan* (see the form on the back cover of the *SIMPLE IRA Plan Sponsor Guide*)
   - Introduce yourself as the plan's financial adviser and as a valuable resource for participants in the future.
   - Introduce the plan, its benefits and the investments being offered using the *SIMPLE IRA Employee Guide*.
   - Briefly review with the audience how to complete the *SIMPLE IRA Application* (see pages 5 through 9 in the Employee Guide).

3. **After the enrollment meeting:**
   - Have the plan sponsor complete the *Submitting Contributions* form (on page 7 of the *SIMPLE IRA Plan Sponsor Guide*).
   - Ensure that the plan sponsor sends to American Funds Service Company all of the appropriate information, including:
     — Each participant's completed American Funds *SIMPLE IRA Application*
     — A check for $10 for each new participant establishing an account (if this setup fee is not received, $10 will be deducted from each participant's account)
     — The *Submitting Contributions* form with an unsigned, voided check attached
   - Follow up with the plan sponsor regarding salary deferrals:
     — After receiving the client's *Submitting Contributions* form, an American Funds associate will provide the plan sponsor with a link to our secure online group investments website, information about logging on and submitting investments plus assistance with any questions.
     — Remind the client that American Funds Service Company must receive salary deferrals as soon as the money can be segregated from their general assets, *but no later than the 30th day after the end of the month in which the money was withheld*. Employer contributions can be sent or deposited with salary deferrals, but no later than the company's tax return deadline.
     — Contributions should NOT be submitted until the account has been established.

4. **In the months and years that follow:**
   - Cultivate the participant relationships you've established through the plan:
     — Stay in touch.
     — Offer follow-up consultations on a regular basis.
     — Provide additional investment opportunities.

Lit. No. IRSMBR-001-0209O CGD/6258-S19975

To order sales literature and download forms and applications, visit americanfunds.com/adviser or call 800/421-9900, ext. 2.