10 Steps to Convert Your SIMPLE IRA to a 401(k)

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Have you outgrown your SIMPLE IRA? Here are the steps you need to take to replace your SIMPLE IRA with a 401(k):

Terminating Your SIMPLE IRA

1. Notify your employees at least 60 days prior to December 31st (i.e. before November 1st) that you will be terminating the SIMPLE IRA on January 1st of the following year.

   SIMPLE IRAs may not be terminated mid-year.

2. Notify your SIMPLE IRA plan administrator and your payroll provider that the plan will be discontinued on January 1st and no further contributions will be made to the plan.
3. Keep records of these actions.

   You do not need to notify the IRS.

Starting a 401(k) Plan

4. Determine what consultants you would like to engage (TPA, Broker, etc.) to assist you with the process.
5. Choose a record keeper (e.g. American Funds, Fidelity, Vanguard, VOYA, etc.).

   Considerations may include fees, platform ease of use, customer support, etc.

6. Choose a Trustee (may be self-trusteed or corporate).Decide on plan provisions (e.g. loans or no loans, vesting schedule, Safe Harbor, matching, etc.).
7. Decide on plan provisions (e.g. loans or no loans, vesting schedule, Safe Harbor, matching, etc.).
8. Complete an adoption agreement and summary of plan description.
9. Inform your employees of the plan's existence and educate them on its benefits.
10. Set up individual accounts and set up payroll deductions.

Not Sure If A 401(k) Is Right For Your Company?

Review our Retirement Comparison Chart as well as our white paper on 5 Reasons to Switch from a SIMPLE IRA to a 401(k) to help you decide. And as always, if you ever have any questions we haven't answered here, do not hesitate to reach out and ask. We are here to help!