



Retirement Plan Comparison Chart

	SIMPLE IRA (Savings Incentive Match Plan for Employees)	SEP-IRA (Simplified Employee Pension)	401(k)	Cash Balance	Traditional DB Plan
Plan Type	Defined Contribution	Defined Contribution	Defined Contribution	Defined Benefit	Defined Benefit
<i>For whom is this best suited?</i>	Smaller businesses (100 or less employees) and self employed individuals	Sole proprietorships, partnerships, and small businesses. Ideal for self-employed individual or small business owner, usually with few or no employees.	Any type of private or public company seeking a more customized product.	Smaller companies with partners or owners wanting to set aside more than Defined Contribution limits will allow.	Smaller companies with partners or owners wanting to set aside more than Defined Contribution limits will allow.
<i>What are the key benefits?</i>	Allows employees to defer income with a wide range of investment options and limited administration.	Flexible contributions with a wide range of investment options.	Ability to customize plan to meet your unique needs. Wide range of investment options and employee education from provider.	Much higher employer tax deductions.	Much higher employer tax deductions.
<i>Who contributes?</i>	Employer and Employee	Employer only	Employer and Employee	Employer (Employee contributions are permissible but very rare)	Employer (Employee contributions are permissible but very rare)
<i>What is the maximum employee contribution?</i>	\$13,500 in 2020 & 2021 (indexed for inflation)	N/A	\$19,500 in 2020 & 2021 (indexed for inflation)	N/A	N/A
<i>May an employee age 50 or over make catch up contributions?</i>	\$3,000 in 2020 & 2021 (indexed for inflation)	No	\$6,500 in 2020 & 2021 (indexed for inflation)	N/A	N/A
<i>May an employee make Roth Contributions?</i>	No	No	Yes	N/A	N/A



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<i>Are there minimum employer contributions?</i>	<p>Option 1. Matching contribution up to 3.0% of compensation (not limited by the annual compensation limit), under this option an employer may elect to contribute a lower amount, but not less than 1% for more than 2 out of 5 years.</p> <p>Option 2. 2.0% non-elective contribution for each eligible employee.</p>	No contribution required but same % of pay must be given to all eligible employees.	No contribution required but the employer may choose a design with a "Safe Harbor" contribution to simplify nondiscrimination testing.	Amount necessary to fund benefit as determined by an Enrolled Actuary.	Amount necessary to fund benefit as determined by an Enrolled Actuary.
<i>What is the maximum employer contribution?</i>	3.0% of payroll	Lesser of \$57,000 in 2020 & \$58,000 in 2021 (indexed for inflation) or 25% of qualified compensation per person	\$57,000 in 2020 & \$58,000 in 2021 (indexed for inflation) per person less employee deferrals exclusive of catch up contributions	Amount necessary to fund benefit as determined by an Enrolled Actuary.	Amount necessary to fund benefit as determined by an Enrolled Actuary.
<i>What is the complexity level?</i>	Low	Low	Medium	High	High
<i>What are the administrative requirements?</i>	No employer tax filings. Must notify employees of employer contributions, if any.	No filing requirement for the employer.	Form 5500	DOL, IRS and PBGC filings (unless exempt)	DOL, IRS and PBGC filings (unless exempt)
<i>Who directs investments?</i>	Employee	Employee	Employer/Trustee, but normally allow for employees to direct their investments.	Employer/Trustee	Employer/Trustee

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<i>Who must be covered?</i>	All employees who received at least \$5,000 in compensation from you during any 2 preceding calendar years (whether or not consecutive) and who are reasonably expected to receive at least \$5,000 in compensation during the calendar year. May exclude union employees.	All employees who have attained Age 21 & have worked for the employer in 3 of the last 5 years and received compensation of \$600 or more for 2020 (indexed for inflation). May exclude union employees.	All employees who have attained Age 21 & one year of service (year of service may be defined as up to 1,000 hours). May exclude classes of employees subject to nondiscrimination testing.	All employees who have attained Age 21 & one year of service (year of service may be defined as up to 1,000 hours). May exclude classes of employees subject to nondiscrimination testing.	All employees who have attained Age 21 & one year of service (year of service may be defined as up to 1,000 hours). May exclude classes of employees subject to nondiscrimination testing.
<i>May participants take a loan from the Plan?</i>	No	No	Allowed if employer chooses to do so.	Allowed if employer chooses to do so, but rarely allowed.	Allowed if employer chooses to do so, but rarely allowed.
<i>How to adopt a plan?</i>	Established by adopting Form 5304-SIMPLE, 5305-SIMPLE, a SIMPLE IRA prototype or an individually designed plan document.	Established by adopting IRS approved SEP document, notify employees about the SEP and establish a SEP-IRA for each eligible employee.	Adopt a written plan, arrange a trust fund for the plan's assets, select a record keeper and provide information to each eligible employee.	Adopt a written plan, arrange a trust fund for the plan's assets, select an actuary and provide information to each eligible employee.	Adopt a written plan, arrange a trust fund for the plan's assets, select an actuary and provide information to each eligible employee
<i>What is the deadline for setting up the Plan?</i>	October 1st or as soon as administratively possible for companies created after October 1st.	Establish by employer's tax filing deadline (including extensions) for the tax year in which deduction is being taken.	Plan year end	Plan year end	Plan year end
<i>May I participate in more than one Plan?</i>	No. Employer may not contribute to a SIMPLE IRA and another retirement plan in the same year.	Yes, but must comply with overall IRS limits by combining all deferrals.	Yes, but must comply with overall IRS limits by combining all deferrals.	Yes	Yes



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<i>When are employees entitled to benefits (e.g., Vesting)?</i>	Immediate	Immediate	Immediate on Employee Contributions; Employer contributions may be vested over a period up to 6 years.	Employees may become vested over a period up to 3 years.	Employees may become vested over a period up to 7 years.
<i>What is the compensation limit used for calculating benefits & contributions?</i>	\$285,000 for 2020 & \$290,000 for 2021 (indexed for inflation)	\$285,000 for 2020 & \$290,000 for 2021 (indexed for inflation)	\$285,000 for 2020 & \$290,000 for 2021 (indexed for inflation)	\$285,000 for 2020 & \$290,000 for 2021 (indexed for inflation)	\$285,000 for 2020 & \$290,000 for 2021 (indexed for inflation)
<i>Are In-Service Withdrawals allowed?</i>	Yes, but the withdrawal is included as income and subject to a 10% additional tax if under age 59-1/2. Also, if withdrawals are made within the first two years of participation, the 10% additional tax is increased to 25%.	Yes, but the withdrawal is included as income and subject to a 10% additional tax if under age 59-1/2.	Yes, but the withdrawal is included as income and subject to a 10% additional tax if under age 59-1/2.	Not permitted.	Not permitted.