

Retirement Plan Comparison Chart

	SIMPLE IRA (Savings Incentive Match Plan for Employees)	SEP-IRA (Simplified Employee Pension)	401(k)
Plan Type	Defined Contribution	Defined Contribution	Defined Contribution
<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.
<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.
<i>Who contributes?</i>	Employer and Employee	Employer only	Employer and Employee
<i>What is the maximum employee contribution?</i>	\$14,000 in 2022 & \$15,500 in 2023 (indexed for inflation)	N/A	\$20,500 in 2022 & \$22,500 in 2023 (indexed for inflation)
<i>May an employee age 50 or over make catch up contributions?</i>	\$3,000 in 2022 & \$3,500 in 2023 (indexed for inflation)	No	\$6,500 in 2022 & \$7,500 in 2023 (indexed for inflation)
<i>May an employee make Roth Contributions?</i>	No	No	Yes
<i>Are there minimum employer contributions?</i>	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. Option 2. 2.0% non-elective contribution for each eligible employee.	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.
<i>What is the maximum employer contribution?</i>	3.0% of payroll	Lesser of \$61,000 in 2022 & \$66,000 in 2023 (indexed for inflation) or 25% of qualified compensation per person.	\$61,000 in 2022 & \$66,000 in 2023 (indexed for inflation) per person less employee deferrals exclusive of catch up contributions.
<i>What is the complexity level?</i>	Low	Low	Medium
<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



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<i>Who directs investments?</i>	Employee	Employee	Employer/Trustee, but normally allow for employees to direct their investments.
<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.
<i>May participants take a loan from the Plan?</i>	No	No	Allowed if employer chooses to do so.
<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 recordkeeper 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
<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.
<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.
<i>What is the compensation limit used for calculating benefits & contributions?</i>	\$305,000 for 2022 & \$330,000 for 2023 (indexed for inflation)	\$305,000 for 2022 & \$330,000 for 2023 (indexed for inflation)	\$305,000 for 2022 & \$330,000 for 2023 (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.