SMALL BUSINESS RETIREMENT PLAN OPTIONS --- DEFINED CONTRIBUTION PLANS (Limits pertain to 2024)

Line	Topic	A **SIMPLE** (using IRA's)	B **SEP** (which uses IRA's)	C **Profit Sharing Plan** (w/o 401(k) features)	D **401(k) Plan** (includes profit sharing options)
1	**Key Advantage**	Salary reduction plan with little administrative paperwork.	Easy to set up and maintain.	Permits employer to make large contributions for employees.	Permits higher level of salary deferrals by employees than other retirement vehicles.
2	**Who Can Establish?**	Any employer with 100 or fewer employees (who earned $5,000 or more during the preceding calendar year) if the employer does not currently maintain another retirement plan.	Any employer.	Any employer.	Any employer.
3	**Employer's Role**	Set up plan by completing IRS Form 5304-SIMPLE or 5305-SIMPLE. No annual filing requirement for employer. Financial institution processes most of the paperwork.		No model form to establish this plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of Form 5500 is almost always required.	No model form to establish this plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of Form 5500 is required. Also may require annual non-discrimination testing to ensure plan does not discriminate in favor of highly paid employees.
4	**Maximum Eligibility Requirements**	Must be offered to all employees with at least $5,000 in compensation for any two preceding years, who are also expected to earn $5,000 in current year. Union employees can be excluded.	Must be offered to all employees who are at least 21 years of age, employed by the employer for 3 of the preceding 5 years, and have annual pay of at least $750. Union employees can be excluded.	Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year. (Two-year eligibility requirement permitted with immediate vesting.) (Excluding *some* of these employees subjects the plan to special coverage tests.) Union employees can be excluded.	Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year. (Two-year eligibility requirement permitted in profit sharing component, but with immediate vesting.) (Excluding some of these employees subjects the plan to special coverage tests.) Union employees can be excluded.
5	**Contributors to the Plan**	Employee and employer.	Employer only.	Employer only.	Both employer and employee may contribute.

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6	**Are Contributions Mandatory?**	Employer -- yes. Employee -- no.	No.	No.	No (unless the employer wishes to operate a "safe-harbor" 401(k) plan, which does not subject highly paid participants' deferrals to any nondiscrimination tests).
7	**Contributors' Options**	Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's compensation.	Employer can decide whether to make contributions year-to-year.	Employer allocates contribution as set by plan terms.	Employee can elect how much to contribute pursuant to a salary reduction agreement. The employer can make additional contributions, including possible matching contributions, as set by plan terms.
8	**Contribution Limits -- Employee**	100% of earned income up to $16,000.	No employee contributions.	No employee contributions.	$22,500 in 2023.
9	**Contribution Limits -- Employer**	Match deferral $1 for $1 up to 3% of pay, or a 2% (subject to $345,000 salary cap) nonelective contribution to all.	Up to the lesser of 25% of first $345,000 in pay or $69,000.	The employer can deduct amounts that, in the aggregate, do not exceed 25% of aggregate compensation for all participants.	The employer can deduct amounts that, in the aggregate, do not exceed 25% of aggregate compensation for all participants.
10	**Contribution Limits -- Employee & Employer Combined**	N/A	N/A	Contributions per participant must not exceed the lesser of 100% of compensation or $69,000.	Contributions per participant must not exceed the lesser of 100% of compensation or $69,000.
11	**Catch-Up Contributions for Workers Age 50 and Older**	An additional $3,500 (for 2024) above and beyond other limits described above.	No employee contributions.	No employee contributions.	An additional $7,500 (for 2024) above and beyond other limits described above.
12	**When Must Plan be Established?**	October 1 for existing businesses. As soon as administratively feasible for businesses established after October 1.	By tax-filing date plus extensions.	By fiscal year-end (12/31 for calendar year plan).	By fiscal year-end (12/31 for calendar year plan). (Special rules apply for the adoption of "safe-harbor" 401(k) plans.)

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13	**When Must Contributions be Made?**	Employer: By tax-filing date plus extensions. Employee: As soon as reasonable, but no later than the 7th business day following the payroll period in which the deferrals are withheld.	By tax-filing date plus extensions.	By tax-filing date plus extensions.	Employer: By tax-filing date plus extensions. Employee: As soon as reasonable, but no later than the 7th business day following the payroll period in which the deferrals are withheld.
14	**Who Directs Investments?**	Individual.	Individual.	Employer/Trustee, or plan may allow individual direction.	Employer/Trustee, or plan may allow individual direction.
15	**Are Loans Available?**	No.	No.	Yes.	Yes.
16	**Vesting**	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	Employer contributions may vest over time according to plan terms: immediate, cliff or graded.	Employee salary deferrals are immediately 100% vested. Employer contributions may vest over time according to plan terms: immediate, cliff or graded.
17	**Earliest Permitted Withdrawals**	Any time, even if still an employee.	Any time, even if still an employee.	Withdrawals permitted after a specified event occurs (e.g., retirement, plan termination, age 59 1/2, etc.).	Withdrawals permitted after a specified event occurs (e.g., retirement, plan termination, age 59 1/2, etc.). Plan may permit hardship withdrawals (of employee contributions).
18	**Distributions Before Age 59 1/2?**	Usually a 10% penalty applies unless distribution is due to death or disability, or individual is over 55 and separated from service (except if self-employed or more than 10% owner).	10% tax penalty except when utilizing substantially equal payments, or if due to death or disability.	Usually a 10% penalty applies unless distribution is due to death or disability, or individual is over 55 and separated from service (except if self-employed or more than 10% owner).	Usually a 10% penalty applies unless distribution is due to death or disability, or individual is over 55 and separated from service (except if self-employed or more than 10% owner).
19	**Distributions for Ages 59 1/2 - 70 1/2**	No tax penalty.	No tax penalty.	No tax penalty.	No tax penalty.

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20	**Distributions After Age 73**	Required minimum distributions as late as April 1 following the year in which the individual reaches age 73.	Required minimum distributions. (May remove aggregate total from one account).	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and less than 5% owner.	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and less than 5% owner.
21	**How are Distributions Taxed?**	Taxed as ordinary income.	Taxed as ordinary income.	Taxed as ordinary income.	Taxed as ordinary income.
22	**Eligible Rollovers to Another Plan**	**Only** to another SIMPLE IRA; or to 403(b), 457, SEP/IRA, Roth IRA, or a Qualified Plan and Traditional IRA after 2 years of participation.	One 60-day rollover per 12-month period. Reported as distribution and returned as a rollover contribution.	Must have triggering event (plan termination, death, separation from service, disability, age 59 1/2).	Must have triggering event (plan termination, death, separation from service, disability, age 59 1/2).
23	**Portability: Rollovers Among Plans**	With a few exceptions, rollovers are permitted to practically all other types of tax-deferred plans.	With a few exceptions, rollovers are permitted to practically all other types of tax-deferred plans.	With a few exceptions, rollovers are permitted to practically all other types of tax-deferred plans.	With a few exceptions, rollovers are permitted to practically all other types of tax-deferred plans.
24	**Ability to Skew Results Toward Owners**	Low	Medium	High	Highest
25	**Advantages**	Employer -- Contributions are deductible. Employee -- tax deferral reduces taxable income.	Simple to establish and maintain. No annual IRS filing requirements. Contributions deductible by employer.	Contributions discretionary. Flexibility in plan design. Loans may be allowed. Contributions, plan expenses may be deductible by employer. Vesting schedules.	Flexibility in plan design; loans may be allowed. Contributions, plan expenses may be deductible by employer. Can put some of funding responsibility with employees. Deferred amount reduces employee's taxable income.
26	Notes:	a) Adapted from materials published separately by The American Society of Pension Actuaries (ASPA), web site is aspa.org The U.S. Treasury Department, web site is irs.gov b) SIMPLE stands for Savings Incentive Match Plan for Employees. c) SEP stands for Simplified Employee Plan. SEPs established after 1996 are not permitted to have employee contributions.			