Retirement Plan Comparison

Feature/Benefit	SEP IRA	SIMPLE IRA	SIMPLE 401(k)	403(b)	Traditional 401(k)	Money Purchase	Profit Sharing	Defined Benefit Plan
Eligible Employer	Any employer. Employers who use the services of leased employees or maintain any other retirement plan cannot use the Form 5305-SEP, but may use a prototype or individually designed SEP.	Any employer, providing the employer had no more than 100 employees with $5,000 or more in compensation during the preceding year. Generally, the SIMPLE IRA must be the only plan maintained by the employer.	Any employer, providing the employer had no more than 100 employees with $5,000 or more in compensation during the preceding year.	Public charities (entities tax-exempt under IRC Section 501(c)(3)); public K-12 schools; and public post-secondary educational organizations only	Any employer except governmental employers.	Any employer.	Any employer.	Any employer.
Age Requirement	Can exclude employees under age 21	Cannot exclude employees on account of age	Can exclude employees under age 21	Can exclude employees under age 21 from employer contributions. No age requirement allowed for salary deferrals.	Can exclude employees under age 21	Can exclude employees under age 21	Can exclude employees under age 21	Can exclude employees under age 21
Service and compensation requirement	Must include employees who worked 3 of the 5 preceding years. A year of service is any work performed during the year, however short a period. Can exclude employees who earn less than $550 during the year.	Must include employees who received at least $5,000 in compensation during any 2 preceding calendar years (whether or not consecutive) and are reasonably expected to receive at least $5,000 in compensation during the calendar year.	Must include employees who have performed at least one year of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period. Employees eligible under the SIMPLE 401(k) plan may not participate in any other plan of the employer's.	Must allow all employees (with some limited exceptions) to make salary deferrals. For employer contributions, must include employees who have performed at least two years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period.	Must include employees who have performed at least one year of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period. Can require two years of service for employer contributions.	Must include employees who have performed at least two years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period.	Must include employees who have performed at least two years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period.	Must include employees who have performed at least two years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period.
Salary deferral allowed	Generally, no, but up to $17,500 + catch-up of $5,500	Yes. Up to $12,000 + catch-up of $2,500	Yes. Up to $12,000 + catch-up of $2,500	Yes. Up to $17,500 + catch-up of $5,500	Yes. Up to $17,500 + catch-up of $5,500	No	No	No

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	allowed under Salary Deferral SEP (SARSEP). *As of 01/01/97, no new SARSEPs may be created.*			Additional special catch-up not exceeding $3,000 per year for employees of certain tax-exempt employers who have at least 15 years of service				
Maximum contributions allowed for employee	Lesser of 25% of employee's compensation or $52,000	$12,000 deferral + catch-up + employer match of 3% of compensation (or employer nonmatching contribution of 2% of compensation)	$11,500 deferral+ catch-up + employer match of 3% of compensation (or employer nonmatching contribution of 2% of compensation)	Lesser of 100% of employee's compensation or $52,000 + catch-up	Lesser of 100% of employee's compensation or $52,000 + catch-up	Lesser of 100% of employee's compensation or $52,000 + catch-up	Lesser of 100% of employee's compensation or $52,000 + catch-up	Amount required to fund employees' benefit for the year
Deductible limit	25% of eligible compensation of all eligible employees	Up to the SIMPLE IRA contribution amounts, not to exceed allowed contribution	Up to the SIMPLE IRA contribution amounts, not to exceed allowed contribution	Not applicable	25% of eligible compensation of all eligible employees	25% of eligible compensation of all eligible employees	25% of eligible compensation of all eligible employees	Generally, up to amount needed to satisfy minimum funding requirement
Limitation on Compensation	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies only to employer 2% nonmatching contribution	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies	Compensation cap of $260,000 applies
Vesting of Contributions	100% immediate vesting	100% immediate vesting	100% immediate vesting	100% immediate vesting for salary deferrals. Vesting schedule can generally be applied to employer contributions. If eligibility is 1 yr., vesting schedule can be either cliff or graded. 100% immediate vesting required after 2 yrs. **if** eligibility is more than 1 yr.	100% immediate vesting for salary deferrals. Vesting schedule can generally be applied to employer contributions. If eligibility is 1 yr., vesting schedule can be either cliff or graded. 100% immediate vesting required after 2 yrs. **if** eligibility is more than 1 yr.	If eligibility is 1 yr., vesting schedule can be either cliff or graded. 100% immediate vesting required after 2 yrs. **if** eligibility is more than 1 yr.	If eligibility is 1 yr., vesting schedule can be either cliff or graded. 100% immediate vesting required after 2 yrs. **if** eligibility is more than 1 yr.	If eligibility is 1 yr., vesting schedule can be either cliff or graded. 100% immediate vesting required after 2 yrs. **if** eligibility is more than 1 yr.

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Deadline to Establish Plan	Employer's tax filing deadline, including extensions.	October 1. Except for businesses that are created after October 1, for which the plan must be established as soon as administratively feasible.	October 1. Except for businesses that are created after October 1, for which the plan must be established as soon as administratively feasible. Special rules apply. *See Sec. 1.401(k)-4*	The day before any amounts are withheld from employees' pay for contribution to the plan or, if earlier, the day before any employer contributions are made to the plan	Last day of the employer's taxable year with respect to which a contribution is made. It is recommended that the plan is established as early in the year as possible so as to allow salary deferrals.	Last day of the employer's taxable year with respect to which a contribution is made.	Last day of the employer's taxable year with respect to which a contribution is made.	Last day of the employer's taxable year with respect to which a contribution is made.
Deadline for making/depositing contributions (*see end notes for salary deferral contributions)*	Employer's tax filing deadline, including extensions.	**Salary deferrals-** as soon as such contributions can reasonably be segregated from the employer's general assets. [i] **Employer contributions-** by the employer's tax filing deadline, including extensions.	**Salary deferrals-** as soon as such contributions can reasonably be segregated from the employer's general assets. [ii] **Employer contributions-** by the employer's tax filing deadline, including extensions.	**Salary deferrals-** if plan is subject to ERISA, as soon as such contributions can reasonably be segregated from the employer's general assets;[ii] if not subject to ERISA (deferral only or govern-mental plan), by a date not longer than reasonable for proper plan administration.[iii] **Employer contributions-** generally, no later than the 15th day of the 10th calendar month following the end of the employer's fiscal year within which the plan year ends.	**Salary deferrals-** as soon as such contributions can reasonably be segregated from the employer's general assets. [ii] **Employer contributions-** by the employer's tax filing deadline, including extensions.	Employer's tax filing deadline, including extensions.	Employer's tax filing deadline, including extensions.	Employer's tax filing deadline, including extensions.
Nondiscrimination testing	N/A	N/A	N/A	Required for features, options & formulas used to compute contributions. Actual contribution	Required for features, options & formulas used to compute contributions. Actual deferral percentage	Required for features, options and formulas used to compute contributions.	Required for features, options and formulas used to compute contributions.	Required for features, options and formulas used to compute contributions.

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				percentage (ACP) testing for match is waived if plan is a safe-harbor 403(b).	(ADP) and actual contribution percentage (ACP) testing waived if plan is a safe-harbor 401(k).			
5500 filing	N/A	N/A	Yes	Yes, unless not subject to ERISA (deferral only or governmental plan).	Yes. N/A for owner only plans with balances of $250,000 or less.	Yes. N/A for owner only plans with balances of $250,000 or less.	Yes. N/A for owner only plans with balances of $250,000 or less.	Yes. N/A for owner only plans with balances of $250,000 or less.
Complexity	Low	Low	Low	Medium to High	High	Medium	Medium	Very High
Administrative cost	Low	Low	Low	Medium	High	Medium	Medium	Very High
Notable notes	Gives business that has not established a profit pattern or one that experiences fluctuation in profits, flexibility due to discretionary contribution feature.	Employers often overlook the annual notification requirements that applies to SIMPLEs, resulting in them being subject to penalties.	These have not been popular, as employers often choose either the SIMPLE IRA or the safe-harbor 401(k) instead, possibly because the desired features are usually in either of the two.	Actual deferral percentage (ADP) test applicable to 401(k) salary deferrals is not applicable to 403(b) plan; instead, requires "universal availability" (all employees must be allowed to defer).	Employers that want a traditional 401(k) plan, but want to avoid the ADP and ACP tests may adopt safe-harbor provisions for the 401(k) plan.	Since the deductibility limit for contributions to profit sharing plans are now the same as the limit for money purchase pension plans, business owners usually have no need to adopt a money purchase plan.	Gives business that has not established a profit pattern or one that experiences fluctuation in profits, flexibility due to discretionary contribution feature.	Often chosen by employers that want to contribute more than amounts permitted under SEPs and defined contribution plans.
Ideally suited for…	Employers that are looking for a plan that is easy/inexpensive to administer, has a discretionary feature for contributions, contributions are immediately 100% vested, and does not mind the fact that employees can take their contributions at anytime.	Employers that are looking for a plan that is easy/inexpensive to administer, has a mandatory feature for employer contributions, allows employees to share the cost of funding their accounts, contributions are immediately 100% vested, and does not mind the fact that employees can take their	Employers that are looking for a plan that is easy/inexpensive to administer, has a mandatory feature for employer contributions, allows employees to share the cost of funding their accounts, and does not mind the fact that employer contributions are 100% immediately vested, though	501(c)(3) organizations or public schools that want to allow maximum deferrals with no testing, has a discretionary feature for employer contributions, allows a vesting schedule so employees can 'earn' employer contributions, and allows employers to determine when employees can	Employers that do not mind a plan that involves complex/costly administration, allows employees to share the cost of funding their retirement accounts, allows a vesting schedule so employees can 'earn' employer contributions, and allows employers to determine when employees can make	Employers that do not mind a plan with a mid-range cost for administration, has a mandatory feature for employer contributions, allows a vesting schedule so employees can 'earn' their contributions, and allows employers to determine when employees can make withdrawals	Employers that do not mind a plan with a mid-range cost of administration, has a discretionary feature for employer contributions, allows a vesting schedule so employees can 'earn' their contributions, and allows employers to determine when employees can make	Employers that do not mind a plan that involves complex/costly administration, allows a vesting schedule so employees can 'earn' employer contributions and allows employers to determine when employees can make withdrawals within *certain limits.*

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		contributions at any time.	employees must wait for a triggering event to take distributions.	make withdrawals *within certain limits.*	withdrawals *within certain limits.*	*within certain limits.*	withdrawals *within certain limits.*	

[i] No later than 30 calendar days following the month to which the deferral applies. The 30-day period is the latest deadline, and applies only if the assets cannot be segregated sooner.

[ii] No later than the 15th business day of the month, following the month to which the deferral applies. The 15th business day is the latest deadline, and applies only if the assets cannot be segregated sooner. Plans with fewer than 100 participants as of the beginning of the plan year may remit salary deferrals within 7 business days after the date the amount is received or withheld.

[iii] For example, within 15 business days following the month in which the amount otherwise would have been paid to the employee.

Disclaimer:

- This chart provides a high level comparison of the features and benefits of the plans that are included. More detailed information is required in order to obtain a complete understanding of the features and benefits of a particular retirement plan.
- This chart is not meant to be used as tax, legal or retirement planning advice.
- Individual business owners must seek independent consultation with a professional who is knowledgeable and demonstrates competence in the area of the operations and compliance requirements of employer plans.