

Retirement Plan Comparison Guide (2024)

| | SIMPLE IRA / SIMPLE 401(k) | SEP-IRA | Solo 401(k) | Traditional 401(k) Plan | Safe Harbor 401(k) Plan | Profit Sharing Plan | Cash Balance Plan |
|--|---|---|---|---|---|---|--|
| Deadline to establish | Jan 1 thru Oct 1 | Prior to tax filing | Prior to 12/31 | Prior to tax filing, depending on business tax status | Jan 1 thru Oct 1 | Prior to tax filing, depending on business tax status | Prior to tax filing, depending on business tax status |
| Ideal for companies that have | Fewer than 100 employees | Self-employed or small business owners with few or no employees | Self-employed, businesses with no employees | All businesses, except government agencies | Businesses wanting to encourage employees to save and can offer a matching employer contribution | Businesses with consistent profit, healthy cash reserves, and low or no debt | Highly profitable businesses with 2-10 employees, significant and consistent cash flows, older owners/partners with significant pass-through income |
| Key benefits/features | Pre-tax retirement savings and easy administration; No tax filings required | Contributions are tax-deductible, high contribution limits, easy to set-up and maintain | Contributions up to the max deferral limit, no tax or administrative filings until assets reach \$250,000 | Effective tax reduction tool for employers and employees; Roth contributions available for high income taxpayers; most plans allow employees to take loans and in-service distributions near retirement age | Allows small businesses to avoid ADP/ACP and Top-Heavy discrimination tests; allows employer to give non-elective employee deferral | Can be added to a 401(k), allowing business to deduct contributions of up to 25% of employee's total compensation; Contribution amounts can vary from year to year with no required minimum | Allows owners who are 40+ to contribute to much higher contributions per year; can be paired with a 401(k) plan to increase owner total savings potential |
| Annual filing requirements | None | None | None until assets reach \$250,000, then Form 5500-EZ | Form 5500 | Form 5500 | Form 5500 / 5500-SF / 5500-EZ | Form 5500; Annual actuarial valuation |
| Who makes contributions? | Employer and employee | Employer only | Owner as Employer and Owner as employee | Employer and employee | Employer and employee | Employer | Employer |
| Eligibility | Employees earning \$5,000 or more during the preceding calendar year | Owner determined; generally age 21 and with specific working hours and years of service required | Owner and spouse are both eligible under the Solo plan | Owner determined; generally age 21 and with specific working hours and years of service required | Owner determined; generally age 21 and with specific working hours and years of service required | Owner determined; generally age 21 and with specific working hours and years of service required | Owner determined; generally age 21 and with specific working hours and years of service required |
| Max Annual Employee Contribution | 100% of earnings up to \$16,000; age 50+ additional \$3,500 "catch-up" contribution | Employees do not contribute | 100% of compensation up to \$23,000 in employee deferrals (indexed); age 50+ additional \$7,500 "catch-up" contribution | 100% of compensation up to \$23,000 in employee deferrals (indexed); age 50+ additional \$7,500 "catch-up" contribution | 100% of compensation up to \$23,000 in employee deferrals (indexed); age 50+ additional \$7,500 "catch-up" contribution | Employees do not contribute | Employees do not contribute |
| Max Annual Employer Contribution | Either dollar-for-dollar matching contributions, up to 3% of employee's compensation, or fixed non-elective contributions of 2% of compensation | Up to the lesser of 25% of eligible employee compensation or \$69,000; for 1099, as much as 25% of net earnings from self-employment up to \$69,000 | Up to 25% of self-employment earnings, max combined (employer + employee) contribution \$69,000; age 50+ additional \$7,500 "catch-up" contribution | Up to 25% of self-employment earnings, max combined (employer + employee) contribution \$69,000; age 50+ additional \$7,500 "catch-up" contribution | Ranges from 3.5% to 6% if auto enrollment, and 4% – 6% if no auto enrollment; plan with or without auto enrollment can elect a 3% Safe Harbor non-elective contribution | May not exceed 100% of employee's compensation; limited to \$66,000; age 50+ additional \$7,500 "catch-up" contribution. Earnings up to \$345,000 can be used for calculating employer contribution | Contributions are MANDATORY to provide an annual benefit no larger than the smaller of \$275,000 or 100% average compensation for highest three consecutive calendar years. Earnings up to \$345,000 can be used for to calculate employer contribution. |
| Max Employer Tax Deduction | Same as max employer contribution | 25% of all participants' compensation | 25% of all participants' compensation, plus amount of elective deferrals made | 25% of all participants' compensation, plus amount of elective deferrals made | 25% of all participants' compensation, plus amount of elective deferrals made | 25% of all participants' compensation | "Above the line" deduction (dollar for dollar reduction) |
| Early Withdrawal Penalties and Taxation | 25% penalty for withdrawals in the first 2 years; 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | 10% penalty for early withdrawal before age 59%. Taxed as ordinary income | Typically do not allow partial withdrawals; 10% penalty for early withdrawal before age 59%. Taxed as ordinary income |
| Vesting options | 100% immediate vesting | 100% immediate vesting | 100% immediate vesting | Vesting schedules include three-year cliff and two- to six-year graded | 100% immediate vesting on all Safe Harbor contributions; a vesting schedule can be applied to additional employer contributions. | Vesting schedules include three-year cliff and two- to six-year graded | Most plans use a three-year cliff vesting, thereafter employee is 100% vested |

