

# Retirement Plans for Businesses

## The Basics

	401(k)s	SIMPLE IRA	SEP	PROFIT SHARING PLANS		
	Traditional 401(k)	SIMPLE 401(k)	SIMPLE IRA	SEP	Profit Sharing	Money Purchase
<b>Best Suited for an owner who:</b>	<ul style="list-style-type: none"> <li>Has a company with 25 or more employees.</li> </ul>	<ul style="list-style-type: none"> <li>Has a company with no more than 100 employees receiving at least \$5,000 in compensation from the company for the preceding year.</li> <li>Does not maintain any other qualified plan.</li> </ul>	<ul style="list-style-type: none"> <li>Has a company with no more than 100 employees receiving at least \$5,000 in compensation from the company for the preceding year.</li> <li>Does not maintain any other qualified plan.</li> </ul>	<ul style="list-style-type: none"> <li>Has few or no employees.</li> </ul>	<ul style="list-style-type: none"> <li>Is seeking to maximize his/her contribution while minimizing contributions for employees.</li> </ul>	<ul style="list-style-type: none"> <li>Is highly compensated compared to rank and file employees.</li> </ul>
<b>Tax-Deductible Contributions by Employer</b>	<ul style="list-style-type: none"> <li>Discretionary each year.</li> <li>Safe Harbor – mandatory</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory each year.</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory each year.</li> </ul>	<ul style="list-style-type: none"> <li>Discretionary each year.</li> </ul>	<ul style="list-style-type: none"> <li>Discretionary each year.</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory each year based on plan formula.</li> </ul>
<b>Pre-Tax Contributions by Employees</b>	<ul style="list-style-type: none"> <li>Yes</li> <li>Annual maximum: 25% of compensation, up to \$11,000 (indexed).</li> <li>Deferrals by highly compensated employees may be subject to non-discrimination test.</li> </ul>	<ul style="list-style-type: none"> <li>Yes</li> <li>Annual maximum: 25% of compensation, up to \$7,000 (indexed).</li> <li>No non-discrimination test for highly compensated employees.</li> </ul>	<ul style="list-style-type: none"> <li>Yes</li> <li>Annual maximum: \$7,000 (indexed).</li> <li>No non-discrimination test for highly compensated employees.</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>

**401(k)s**

**SIMPLE IRA**

**SEP**

**PROFIT SHARING PLANS**

**Traditional 401(k)**

**SIMPLE 401(k)**

**SIMPLE IRA**

**SEP**

**Profit Sharing**

**Money Purchase**

<p><b>Vesting</b></p>	<ul style="list-style-type: none"> <li>• Vesting schedule is permitted for employer contributions (employee deferrals are always fully vested).</li> <li>• Safe harbor: Contributions are fully vested.</li> </ul>	<ul style="list-style-type: none"> <li>• All contributions are fully vested.</li> </ul>	<ul style="list-style-type: none"> <li>• All contributions are fully vested.</li> </ul>	<ul style="list-style-type: none"> <li>• All contributions are fully vested.</li> </ul>	<ul style="list-style-type: none"> <li>• Vesting schedule is permitted.</li> </ul>	<ul style="list-style-type: none"> <li>• Vesting schedule is permitted.</li> </ul>
<p><b>Advantages</b></p>	<ul style="list-style-type: none"> <li>• Inexpensive</li> <li>• Employer contributions are discretionary.</li> <li>• Allows pre-tax employee contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Inexpensive and simple.</li> <li>• Allows pre-tax employee contributions.</li> <li>• Simplified administration.</li> </ul>	<ul style="list-style-type: none"> <li>• Inexpensive and simple.</li> <li>• Allows pre-tax employee contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Inexpensive and simple.</li> <li>• Employer contribution is discretionary.</li> </ul>	<ul style="list-style-type: none"> <li>• Offers flexibility to alter annual contributions (typically due to less stable cash flow).</li> </ul>	<p>Maximizes deductible contributions.</p>
<p><b>Disadvantages</b></p>	<ul style="list-style-type: none"> <li>• More administration requirements, such as annual reports and non-discrimination testing, may be required.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual employer contributions are required.</li> <li>• Maximum employee pre-tax deferral is limited to \$7,000.</li> <li>• Employer may not maintain other retirement plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual employer contributions are required.</li> <li>• Maximum employee pre-tax deferral is limited to \$7,000.</li> <li>• Employer may not maintain other retirement plan.</li> <li>• Stiff penalties apply if withdrawals are made within two years of participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not allow pre-tax contributions by employees.</li> <li>• Required to include employees who earn at least \$400 during the year the contribution is made.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution is limited to the lesser of 15% of participant's compensation of \$24,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual employer contributions are required.</li> </ul>