

Retirement Plans

For Business Owners



	SEP IRA	Simple IRA	Solo 401(k)	Profit Sharing with Traditional 401(k)	Defined Benefit
Contribution Options	Contributions are solely employer paid, but not required; maximum contribution is 25% of net income (20% for Sole Proprietor) up to \$57,000 (2020)	Employee salary reduction and employer must make matching contributions up to 3% of compensation or contribute 2% of each employee's compensation; maximum contribution \$13,500 (2020); \$3,000 catch-up over 50	Owner salary reduction and employer contributions are flexible; maximum contribution 25% of compensation or net income (20% for Sole Proprietor) or \$57,000 (2020)	Employer profit-sharing contributions are flexible, but must be substantial and recurring. Employee salary deferrals up to \$19,500 (2020) are optional; maximum contribution 25% of compensation or net income (20% for Sole Proprietor) or \$57,000; \$6,500 catch-up over 50	Contributions are solely employer paid and are generally required annually as set by plan terms and determined by an actuary; up to an annual <u>benefit</u> of \$230,000 (2020)
Who is Covered	Must be offered to employees at least age 21 and worked 3 of the last 5 years, and had compensation of \$600 or more per year	Must be offered to all employees that received at least \$5,000 compensation in any prior 2 years, and reasonably expected to earn \$5,000 in current year	Owner and spouse (Only)	Must be offered to employees at least age 21 and worked at least 1,000 hours in previous year	Must be offered to employees at least age 21 and worked at least 1,000 hours in previous year
Vesting Schedule	100% immediately vested	100% immediately vested	100% immediately vested	Vesting schedule can be either 3 year cliff or 2-6 year graded	Vesting schedule can be either 5 year cliff or 3-7 year graded (if not top heavy)
Other Factors	Easy to set up and maintain; low complexity and administration costs. Good fit for self-employed with variable income and without employees as the same contribution percentage must be paid on behalf of each employee. Establish and fund by employer's tax filing deadline, plus extensions.	Easy to set up and maintain; low complexity and administration costs. Best for owners with or without employees that don't have a huge excess of free cash flow. Not available to employer with over 100 employees (must count everyone over age 21 that earned \$5,000 last year). Establish by Oct. 1; employer contributions due by employer's tax-filing deadline, plus extensions; salary deferrals deposited no later than 30 days following last day of month for which deferrals are withheld.	Can require an additional step or two to set up and maintain; low to medium administration cost. Only allowed for owner plus spouse (no employees) and best for owners with higher free cash flow. Establish by Dec. 31; employer contributions due by employer's tax-filing deadline, plus extensions; salary deferrals for owner-only plans generally due by employer's tax-filing deadline, plus extensions.	Low to high administration cost depending on design complexity and other factors, provide high level of total pre-tax savings for owners. Best fit for business owners looking to maximize contributions, without mandating contributions	High complexity and administration cost; employer must contribute any amount needed to satisfy minimum funding requirement. Best fit for employers who desire to contribute more than amounts allowed by other plans and have high amounts of stable cash flow. Minimum funding requirements for a plan year generally made in quarterly installments and no later than 8 ½ months after the end of that year.