

401k

IRA

?

ROTH

## SIMPLE IRA vs. 401(k) Plan: Which is right for your company?



### Key Benefits of a 401(k) Plan

- Higher contribution limits
- More flexibility with plan design:
  - Able to permit loans
  - More options for employer contributions
  - More vesting options
- Potential for larger tax deductions from a corporate and personal standpoint

### Key Benefits of a SIMPLE IRA

- Simple administration
  - No compliance testing
- Less billable administration cost

Feature	SIMPLE IRA	401(k) Plan
<b>Who may establish?</b>	Any business with less than 100 employees	Any employer except government entities
<b>Offer other retirement plans? (Such as a cash balance plan)</b>	No	Yes
<b>Plan design</b>	Standard	Customizable
<b>Maximum employee contribution</b>	\$16,000 in 2024; Limit increases to 110% of the 2024 limit for employers with fewer than 25 employees. For employers with 26-100 employees to use the higher limits, the employer must make a 4% match or 3% non-elective contribution.	\$23,000 in 2024
<b>Employee catch-up contribution</b>	\$3,500 in 2024; Limit increases to 110% of the 2024 limit for employers with fewer than 25 employees. For employers with 26-100 employees to use the higher limits, the employer must make a 4% match or 3% non-elective contribution.	\$7,500 in 2024
<b>Employer contributions</b>	Mandatory employer contribution	Discretionary
<b>Employer contribution rules</b>	Dollar for dollar match up to 3% of compensation.  -or-  2% of compensation for all eligible employees.	Maximum tax deductible employer contribution is 25% of eligible pay.  Overall maximum contribution per eligible employee is 100% of compensation not to exceed \$69,000 or \$76,500 for employees over age 50
<b>Profit sharing</b>	Beginning in 2024, an employer may elect to make an additional employer contribution in a <b>uniform</b> manner that does not exceed the lesser of 10% of pay or \$5,000 (indexed for inflation)	Permitted
<b>Vesting</b>	Immediate	Up to 6 years
<b>Employee loans</b>	Not permitted	Permitted
<b>Roth contributions</b>	Permitted beginning in 2023	Permitted
<b>Distribution and rollover watchouts</b>	25% penalty on distributions made before age 59½ and within the first two years of participation; Rollover to a 401(k) is permitted after two years of initial participation. Beginning in 2024, if Simple IRA is being replaced with a 401(k) Plan, the two year rollover limitation will be waived.	n/a