

SEP IRA vs. Solo 401(k) Plan: Which is right for your business?

Feature, Stipulation, or Requirement	SEP IRA	401(k)
Who may establish?	Sole proprietorships, partnerships, and small businesses.	Sole proprietorships, partnerships, corporations, and limited liability companies.
Can an employer sponsor other qualified retirement plans?	Yes. Watchout: unless the other plan is also a SEP, you cannot use Form 5305-SEP; you must adopt either a prototype SEP or an individually designed SEP that allow for the other plan.	Yes
Roth Contributions	Not permitted	Permitted
Loans	No	Permitted
Deadline for Making Deposits	Employer's tax filing deadline.	Salary deferrals-as soon as contributions can be segregated from employer assets; Employer contributions by the employer's tax filing deadline.
Maximum Employee Contributions	Generally none.	Lesser of 100% of compensation or up to \$19,500* + \$6,500* catch up if over age 50.
Maximum Employer Contribution	Lesser of 25% of adjusted earned income or \$58,000**	Lesser of 25% of adjusted earned income or \$58,000**
Maximum Compensation	\$290,000*	\$290,000*
Distributions	May be taken at anytime	Available upon distributable event
5500 Filing	Not required	Required, unless owner only plan with balance of less than \$250,000.
What if you hire someone? Further Considerations:		
Employer Contribution Formula	Discretionary; Must be a level percent of pay for all participants	Discretionary; Several allocation methods available – pro-rata, age weighted, cross tested
Vesting	Immediate	Vesting schedule may be applied to employer contributions – i.e. 3 year cliff or 6 year graded
Cost Considerations		
RKG Administration Cost	N/A	\$400 annually for plan document & contribution calculation; \$250 for 5500 preparation; If pairing with a Cash Balance Plan - \$500 annual for plan document & contribution calculation/coordination; \$250 for 5500 preparation. (Cash Balance Administration is additional and quoted separately.)

*2021 Limits

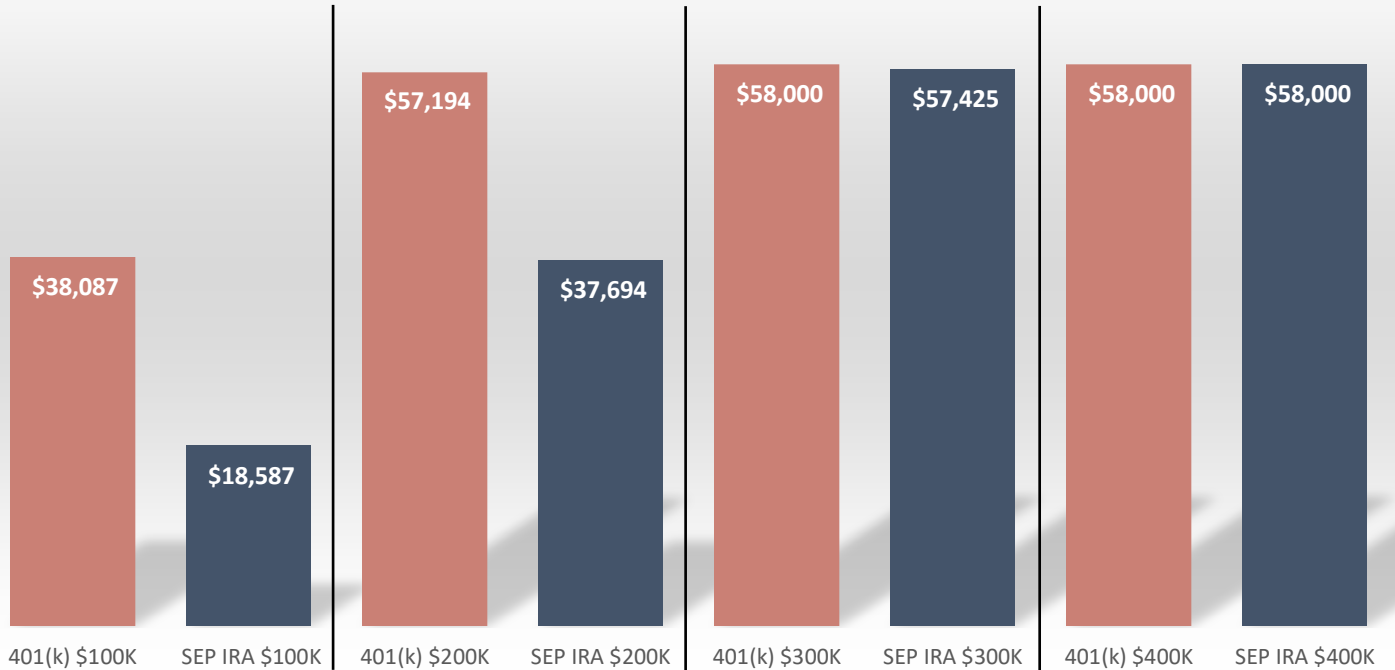
** Calculated as net business income - deduction for Self-Employment Tax divided by 1+ annual contribution percentage of the employer. This results in the total business profit after self-employment taxes and employer contributions to the retirement plan.



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Maximum Contribution Based on Net Income - 40 Year Old



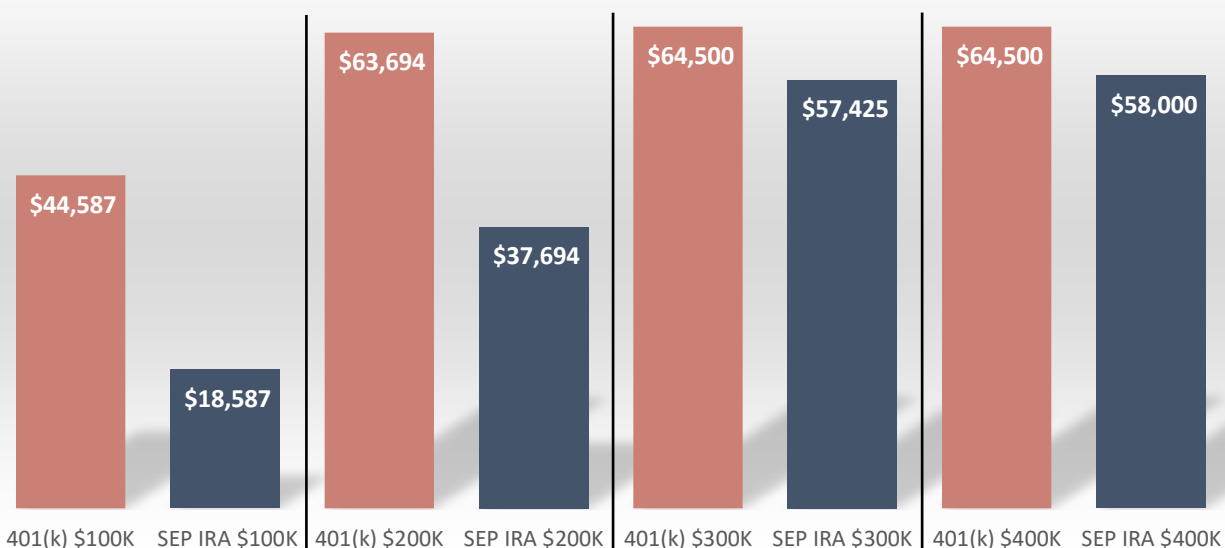
Net Income	401(k) - \$100K	SEP IRA - \$100K	401(k) - \$200K	SEP IRA - \$200K	401(k) - \$300K	SEP IRA - \$300K	401(k) - \$400K	SEP IRA - \$400K
Adjusted Earned Income	\$ 74,348	\$ 74,348	\$ 150,774	\$ 150,774	\$ 229,703	\$ 229,703	\$ 290,000	\$ 290,000
Employer Contribution*	\$ 18,587	\$ 18,587	\$ 37,694	\$ 37,694	\$ 38,500	\$ 57,425	\$ 38,500	\$ 58,000
Employee Elective Deferral	\$ 19,500	\$ -	\$ 19,500	\$ -	\$ 19,500	\$ -	\$ 19,500	\$ -
Catch Up	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maximum Allowed	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Maximum Contribution	\$ 38,087	\$ 18,587	\$ 57,194	\$ 37,694	\$ 58,000	\$ 57,425	\$ 58,000	\$ 58,000
*Lesser of 25% of adjusted earned income or \$58,000								



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Maximum Contribution Based on Net Income - 52 Year Old



52 Year Old	401(k) - \$100K	SEP IRA - \$100K	401(k) - \$200K	SEP IRA - \$200K	401(k) - \$300K	SEP IRA - \$300K	401(k) - \$400K	SEP IRA - \$400K
Adjusted Earned Income	\$ 74,348	\$ 74,348	\$ 150,774	\$ 150,774	\$ 229,703	\$ 229,703	\$ 290,000	\$ 290,000
Employer Contribution*	\$ 18,587	\$ 18,587	\$ 37,694	\$ 37,694	\$ 38,500	\$ 57,425	\$ 38,500	\$ 58,000
Employee Elective Deferral	\$ 19,500	\$ -	\$ 19,500	\$ -	\$ 19,500	\$ -	\$ 19,500	\$ -
Catch Up	\$ 6,500	\$ -	\$ 6,500	\$ -	\$ 6,500	\$ -	\$ 6,500	\$ -
Maximum Allowed	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Maximum Contribution	\$ 44,587	\$ 18,587	\$ 63,694	\$ 37,694	\$ 64,500	\$ 57,425	\$ 64,500	\$ 58,000

*Lesser of 25% of adjusted earned income or \$58,000

Interested in Saving More?

A Cash Balance Plan may be an option to amplify savings and maximize tax strategy

Age	401(k) only	401(k) with Profit Sharing	Cash Balance	Total
60 – 65	\$26,000	\$64,500	\$281,000	\$345,500
55 – 59	26,000	\$64,500	\$230,000	\$294,500
50 – 54	26,000	\$64,500	\$179,000	\$243,500
45 – 49	\$19,500	\$58,000	\$139,000	\$197,000
40 – 44	\$19,500	\$58,000	\$109,000	\$167,000
35 – 39	\$19,500	\$58,000	\$85,000	\$143,000
30 – 34	\$19,500	\$58,000	\$66,000	\$124,000



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