

401k

IRA

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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
Who may establish?	Any business with less than 100 employees	Any employer except government entities
Offer other retirement plans? (Such as a cash balance plan)	No	Yes
Plan design	Standard	Customizable
Maximum employee contribution	\$15,500 in 2023; 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.	\$22,500 in 2023
Employee catch-up contribution	\$3,500 in 2023; 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
Employer contributions	Mandatory employer contribution	Discretionary
Employer contribution rules	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 \$66,000 or \$73,500 for employees over age 50
Profit sharing	Not permitted; Beginning in 2024, an employer may elect to make an additional employer contribution in a uniform manner that does not exceed the lesser of 10% of pay or \$5,000 (indexed for inflation)	Permitted
Vesting	Immediate	Up to 6 years
Employee loans	Not permitted	Permitted
Roth contributions	Permitted beginning in 2023	Permitted
Distribution and rollover watchouts	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