



## SEP IRA vs SIMPLE IRA vs 401(k) Comparison

	SEP IRA	Simple IRA	401(k)
<b>Eligible Employers</b>	Any: <ul style="list-style-type: none"> <li>self-employed individual</li> <li>business owners</li> </ul>	Businesses with 100 or fewer employees who earned \$5,000 or more, and who do not currently maintain any other retirement plan	Generally, any business may establish a 401(k)
<b>Key Advantages</b>	<ul style="list-style-type: none"> <li>Easy to set up and maintain</li> <li>Flexible annual funding requirements</li> </ul>	Salary deferral plan with less administration than a 401(k) plan	Salary deferral plan with: <ul style="list-style-type: none"> <li>Higher contribution limits</li> <li>Profit sharing</li> <li>Roth accounts</li> <li>Loans</li> <li>Deferred vesting available</li> </ul>
<b>Funding Responsibility</b>	Employer contributions only	<ul style="list-style-type: none"> <li>Salary deferral</li> <li>Employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>Salary deferral</li> <li>Employer contributions, if elected under the plan</li> <li>Employer profit sharing</li> </ul>
<b>Catch-up Contributions</b>	None	\$3,000 for ages 50 or older	\$6,500 for ages 50 or older
<b>Contribution Flexibility</b>	Contributions are discretionary	Employer contributions are mandatory	<ul style="list-style-type: none"> <li>Employer matching contributions, if allowed by the plan, are mandatory</li> <li>Profit sharing contributions are discretionary</li> </ul>
<b>Roth Accounts</b>	No	No	Yes
<b>Vesting</b>	Contributions are immediately 100% vested	Contributions are immediately 100% vested	Employee salary deferrals are immediately 100% vested
<b>Age Restriction</b>	May exclude employees under age 21	None	May exclude employees under age 21



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<b>Loans</b>	No	No	Yes
<b>IRS Reporting by Employer</b>	None	None	Form 5500
<b>Establishment Deadlines</b>	Employer's tax filing deadline, including extensions	October 1 of the year in which the plan is being established	Employer's tax filing deadline, including extensions
<b>Employer-paid Fees</b>	None	None	Custom
<b>Maximum Annual Employee Contribution</b>	\$0	The lesser of: <ul style="list-style-type: none"> <li>\$14,000 for 2022 or,</li> <li>100% of compensation (plus \$3,000 catch up for age 50 or older)</li> </ul>	The lesser of: <ul style="list-style-type: none"> <li>\$20,500 for 2022 or,</li> <li>100% of compensation (plus \$6,500 catch-up for age 50 or older)</li> </ul>
<b>Maximum Annual Employer Contribution</b>	The lesser of: <ul style="list-style-type: none"> <li>\$61,000 for 2022 or</li> <li>25% of annual compensation (25% of self-employed income)</li> </ul>	Either: <ul style="list-style-type: none"> <li>Match employee contributions dollar for dollar up to 3% of compensation (not limited by annual compensation limit)</li> <li>Can be reduced to as low as 1% in any 2 out of 5 years or,</li> <li>Contribute 2% of each eligible employee's compensation, up to \$305,000 for 2022</li> </ul>	<ul style="list-style-type: none"> <li>May be set by plan</li> <li>Overall maximum contribution (from all sources) is 100% of compensation (not to exceed \$61,000 for 2022 (plus \$6,500 catch-up))</li> </ul>