



SEP IRA vs SIMPLE IRA vs 401(k) Comparison (2024)

	SEP IRA	SIMPLE IRA	401(k)
Eligible Employers	Any: <ul style="list-style-type: none"> self-employed individual business owners 	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)
Key Advantages	<ul style="list-style-type: none"> Easy to set up and maintain Flexible annual funding requirements 	Salary deferral plan with less administration than a 401(k) plan	Salary deferral plan with: <ul style="list-style-type: none"> Higher contribution limits Profit sharing Roth accounts Loans Vesting available
Funding Responsibility	Employer contributions only	<ul style="list-style-type: none"> Salary deferral Employer contributions 	<ul style="list-style-type: none"> Salary deferral Employer contributions, if elected under the plan Employer profit sharing
Catch-up Contributions	None	\$3,500 for age 50 or older	\$7,500 for age 50 or older
Contribution Flexibility	Contributions are discretionary	Employer contributions are mandatory	<ul style="list-style-type: none"> Employer matching contributions, if allowed by the plan Profit sharing contributions are discretionary
Roth Accounts	No	No	Yes
Vesting	Contributions are immediately 100% vested	Contributions are immediately 100% vested	Employee salary deferrals are immediately 100% vested
Age Restriction	May exclude employees under age 21	None	May exclude employees under age 21



	SEP IRA	Simple IRA	401(k)
Loans	No	No	Yes
IRS Reporting by Employer	None	None	Form 5500
Establishment Deadlines	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
Employer-paid Fees	None	None	Custom
Maximum Allowable Compensation	\$345,000	\$345,000	\$345,000
Maximum Annual Employee Contribution	\$0	The lesser of: <ul style="list-style-type: none"> \$15,500 or, 100% of compensation (plus \$3,500 catch up for age 50 or older) 	The lesser of: <ul style="list-style-type: none"> \$23,000 for 2024 or, 100% of compensation (plus \$7,500 catch-up for age 50 or older)
Maximum Annual Employer Contribution	The lesser of: <ul style="list-style-type: none"> \$69,000 or 25% of annual compensation (25% of self-employed income) 	Either: <ul style="list-style-type: none"> Match employee contributions dollar for dollar up to 3% of compensation (not limited by annual compensation limit) Can be reduced to as low as 1% in any 2 out of 5 years or, Contribute 2% of each eligible employee's compensation 	<ul style="list-style-type: none"> May be set by plan Overall maximum contribution (from all sources) is 100% of compensation (not to exceed \$69,000 for 2024 (plus \$7,500 catch-up))