



▶ WHAT'S THE DIFFERENCE?

When a small business starts analyzing the various retirement plan options for their company and their employees, most will be drawn to either a SIMPLE IRA or 401(k) Plan.

▶ BUT WHICH IS THE BEST OPTION?

The answer hinges on several factors depending on the priorities and preferences of the business. Some important questions to ask are:

- ─ What is my primary purpose of installing this retirement plan? Is it to benefit the staff, maximize the owners, or a combination of both?
- ─ How flexible do you want the plan to be?
- ─ How do you want to structure your employee benefits?

	SIMPLE IRA	401(k)
Employee Contributions	<p>\$15,500 salary deferrals allowed</p> <p>\$3,500 additional catch-up (Ages 50+)</p> <p>Pre-tax contributions only (No Roth)</p>	<p>\$22,500 salary deferrals allowed</p> <p>\$7,500 additional catch-up (Ages 50+)</p> <p>Pre-tax or Roth contributions allowed</p>
Employer Contributions	<p>Required</p> <p>3.00% employer match or 2.00% non-elective</p> <p>No additional options</p>	<p>Optional</p> <p>Safe Harbor contributions (Fully vested)</p> <p>Matching Contribution</p> <p>Discretionary Profit Sharing</p>
Maximum Annual Contribution Per Participant	<p>Employee: \$15,500 (plus \$3,500 for ages 50+)</p> <p>Employer: 3.00% employer match or 2.00% non-elective</p>	<p>Contributions up to the lesser of 100% of an employee's compensation or \$66,000 for 2023 (\$73,500 for ages 50+)</p>
Eligibility	<p>Participants must have earned at least \$5,000 in any of the two preceding years AND be reasonably expected to earn \$5,000 this year</p> <p>No age limit</p>	<p>Employers have flexibility. The maximum requirements are:</p> <ul style="list-style-type: none"> - Completion of one year of service <ul style="list-style-type: none"> - 12 months with 1,000 hours - Minimum age is 21 years old
Form 5500 Filings	No	Yes