

## Retirement Plan Options: 401(k) vs. IRA

Not sure which retirement plan option is right for you and your company? Review this side-by-side comparison

	<b>401(k)</b>	<b>Simple IRA</b>	<b>SEP IRA</b>
<b>Availability</b>	Most employers Employees can contribute	Most employers with fewer than 100 employees Employees can contribute	Only employers can contribute
<b>Employer Advantages</b>	Flexible plan design Tax deductible contributions Enhanced contribution options for owners and highly compensated employees Payroll integration Attract and retain top talent	IRS model plan document Flexible employer contribution options Tax deductible contributions Minimal costs and administration	IRS model plan document Annual contributions are not required Tax deductible contributions Minimal costs and administration Can establish after fiscal year end
<b>Employee Advantages</b>	High contribution limits Tax savings with pretax deductions from paychecks Employer contributions Distribution options such as loans and hardship	No vesting schedule Contribution limits are higher than personal IRAs Employer contributions are required	No vesting schedule Employer contributions are the only contributions allowed to participant accounts
<b>Disadvantages</b>	Annual notices, plan testing, and maintenance may be required Cost to employer	Two-year participation required for rollover eligibility Mandatory employer contributions for eligible employees No ERISA protection from creditors	No employee contributions If employers make contributions to themselves, they must make equal % contribution to all employees No ERISA protection from creditors
<b>Contribution Limits (2023)</b>	Maximum participant limit: \$22,500 Age 50 and over, additional catch-up contribution limit: \$7,500	Maximum participant limit: \$15,500 Age 50 and over, additional catch-up contribution limit: \$3,500	Maximum employer limit: smaller of \$66,000 or 25% of compensation
<b>Vesting Options</b>	May be subject to a schedule	Immediate	Immediate

A 401(k) plan offers the most customizable options for small businesses including plan loan options and large contribution limits for plan participants. SIMPLE and SEP IRAs offer lesser maximum contribution limits and may require employer contributions. In addition, the SEP IRA only allows for employer contributions meaning employees have no way of contributing on their own behalf.

### **401(k) Benefits:**

By offering a 401(k) savings solution, your employees can:

- Save more through this workplace savings solution than any other savings vehicle
- Prepare for retirement and create long-term goals
- Receive knowledgeable insight from the financial professional associated with the service

As an employer, a company 401(k) plan may help you:

- Attract and retain talented employees
- Obtain tax credits for startup costs and for offering automatic enrollment\*
- Deduct employer contributions from current taxes
- Own your retirement readiness