

Retirement Plan Comparison Chart

Plan Type	Individual(401k)	SEP	SIMPLE	401(k)	Profit Sharing
Overview	A type of retirement plan designed for individual business owners. Allows for maximum contributions and tax-free loans. Employer makes annual contributions and/or salary deferrals which can vary from year to year.	A simple, in-expensive plan to set-up and maintain. Employer may make annual contributions to employee IRAs. Contributions can vary from year to year.	Easy to operate, no government reporting, inexpensive plan to setup and maintain. Offers some flexibility. Employer must make fixed or matching contributions to an employee's IRA. Employees may contribute pre-tax.	A highly visible employee benefit plan. Employees contribute pre-tax to individual accounts; employer may contribute. Allows highest level of employee pre-tax contributions; flexible plan design options.	Employer contributes a % of pay to individual employee accounts, based on company profits. Amount may vary from year to year; easy to operate and is often combined with a 401(k). Flexible plan design options.
Employers Who Should Consider	Individual business owners. Could also include some partnerships.	All - typically 1-25 employees.	Limited to employers with 100 or fewer eligible employees and no other qualified retirement plans.	All	All
Minimum (coverage) Eligibility Requirements	Plans may exclude employees who are under 21 or have less than 1 year of service.	Plan must cover all employees who earn at least \$500, are at least 21 and have worked for the employer in 3 of the last 5 years.	Plan must cover all employees who earn at least \$5,000 in the current year and have received at least \$5,000 during any 2 preceding years.	Plans may exclude employees who are under 21 or have less than 1 year of service. Other exclusions permitted subject to IRS nondiscrimination rules.	Plans may exclude employees who are under 21 or have less than 1 year of service. Other exclusions permitted subject to IRS nondiscrimination rules.

Contributions					
Participant*	Not mandatory, but may contribute up to \$16,500 pre-tax per year. (Amount is determined by plan)	Not allowed	Not mandatory, but may contribute up to \$11,500** pre-tax (or 100% of earned income, whichever is less)	Not mandatory, but may contribute up to \$16,500** pre-tax per year. (Amount is determined by plan)	Not permitted unless plan has 401(k) arrangement
Employer Standard	No, but permitted	Yes, Uniform % of each participant's pay or flat dollar amount.	Yes. Employer must choose a fixed contribution of 2% or pay a matching contribution (conditioned on employee contributions) up to 3% of pay.	No, but employer matching and profit sharing contributions are permitted.	Yes. Employer contributions are discretionary and can be based on, but not limited to, profits.
Maximum:+	25% of total participant compensation.*** Total employer & participant, lesser of \$49,000 or 100% of compensation	25% of each participant's compensation on*** or \$49,000, whichever is less	3% of each participant's compensation	25% of total participant compensation.*** Total employer & participant, lesser of \$49,000 or 100% of compensation	25% of total participant compensation.*** Total employer & participant, lesser of \$49,000 or 100% of compensation
Catch-Up: ++	\$5,500	None	\$2,500	\$5,500	None
Minimum:	None	Can skip years (0%)	Matching: 1% in 2 out of 5 years; or Non-elective: 2% of each employee's compensation*** up to \$4,500.	Can skip years (0%)	Can skip years (0%)

* Employee/participant contributions are 100% vested.

** Adjusted for cost of living.

*** Under current tax law, the maximum amount of compensation that can be used in determining contributions is \$245,000 per participant for 2010.

+The maximum deductible contribution for federal income tax purposes

++Allowed for those turning age 50 or over in 2010.