

Retirement plans at a glance

	401(k) plan	Safe harbor 401(k) plan ¹	SIMPLE-IRA	Profit sharing plan	SEP-IRA
Target or typical plan sponsor	All businesses, except government agencies.	All businesses, except government agencies.	All businesses with fewer than 100 employees, including the self-employed.	All businesses.	All businesses. Most appealing to those with 10 or fewer employees.
Best features	Provides vehicle for pre-tax retirement saving and flexibility.	Provides vehicle for pre-tax retirement saving and flexibility.	Provides vehicle for pre-tax retirement saving and easy administration.	Allows flexible contributions.	Easy administration and flexibility.
Funded by	Employee and employer.	Employee and employer.	Employee and employer.	Employer.	Employer.
Eligibility requirements	Usually employees age 21 or older, immediately eligible.	Usually employees age 21 or older, immediately eligible.	Employees earning \$5,000 in 2 prior years.	Usually employees age 21 or older with 1 year of service.	Usually employees age 21 or older with any service in at least 3 of the last 5 years.
Maximum annual employee contribution	100% of compensation up to \$23,000 (\$30,500 if over age 50). ²	100% of compensation up to \$23,000 (\$30,500 if over age 50). ²	100% of compensation up to \$16,000. (\$19,500 if over age 50). ²	Not applicable.	Not applicable.
Employer contributions	<p>Matching and/or profit sharing contributions.</p> <p>Contribution amount can be discretionary each year.</p>	<p>Choice of two minimum required contributions:</p> <ol style="list-style-type: none"> 1. Match 100% of first 3% of compensation plus 50% of next 2% of compensation.² OR 2. Contribution of 3% of compensation to all eligible employees.^{2,4} <p>Additional employer contributions may be allowed.</p>	<p>Choice of two required contributions:</p> <ol style="list-style-type: none"> 1. Match 100% up to 3% of compensation.² OR 2. Contribution of 2% of compensation to all eligible employees.² <p>The match can be reduced in 2 out of 5 years. No additional employer contributions are allowed.</p>	<p>Profit sharing contributions can be allocated in several common ways:</p> <ul style="list-style-type: none"> • Pay-to-pay • Integrated • Comparability <p>Contribution amount is discretionary each year.</p>	Contribution amount is discretionary each year.
Maximum annual plan additions	The lesser of \$69,000 or 100% of Section 415 Compensation. ^{2,3}	The lesser of \$69,000 or 100% of Section 415 Compensation. ^{2,3}	Not applicable.	The lesser of \$69,000 or 100% of Section 415 Compensation. ^{2,3}	The lesser of \$69,000 or 100% of Section 415 Compensation. ^{2,3}
Maximum tax deductible contribution	25% of eligible compensation. ²	25% of eligible compensation. ²	Not applicable.	25% of eligible compensation. ²	25% of eligible compensation. ²

	401(k) plan	Safe harbor 401(k) plan ¹	SIMPLE-IRA	Profit sharing plan	SEP-IRA
Vesting schedule	Employer chooses vesting schedule based on needs.	100% immediate vesting on required match or non-elective contribution. Additional employer contributions may be subject to a vesting schedule.	100% immediate vesting.	Employer chooses vesting schedule based on needs.	100% immediate vesting.
Plan compliance testing and government reporting	<ul style="list-style-type: none"> • ADP/ACP⁵ — Yes • Top Heavy⁶ — Yes • 415 Testing⁷ — Yes • Government Reporting⁸ — Yes 	<ul style="list-style-type: none"> • ADP/ACP⁵—Generally no • Top-heavy⁶—Generally no⁴ • 415 Testing⁷ — Yes • Government Reporting⁸ — Yes 	<ul style="list-style-type: none"> • ADP/ACP⁵ — No • Top Heavy⁶ — No • 415 Testing⁷ — No • Government Reporting⁸ — No 	<ul style="list-style-type: none"> • ADP/ACP⁵ — No • Top Heavy⁶ — Yes • 415 Testing⁷ — Yes • Government Reporting⁸ — Yes 	<ul style="list-style-type: none"> • ADP/ACP⁵ — No • Top Heavy⁶ — Yes • 415 Testing⁷ — No • Government Reporting⁸ — No
Loans available	Yes.	Yes.	No.	Yes.	No.

¹ Other safe harbor options are available.

² As indexed for the 2024 calendar year. For purposes of maximum contributions, compensation is limited to \$345,000 per participant per year.

³ Based on the sum of employer and employee contributions and forfeitures.

⁴ Safe Harbor 401(k) plans allowing additional contributions are subject to top-heavy testing.

⁵ Federal laws and regulations require that qualified plans don't discriminate in favor of the highly compensated employees in your organization. These employees are a group of owners and highly paid employees. The Internal Revenue Service (IRS) developed the Actual Deferral Percentage/ Actual Contribution Percentage (ADP/ACP) tests to prove discrimination is not occurring in your plan. Your plan must pass the tests and meet the requirements each plan year.

⁶ Part of maintaining a qualified retirement plan includes determining its top-heavy status each year. To help you with your plan administration and according to Internal Revenue Code § 416, we provide you with account values or perform a top-heavy test for your approval each year. A plan is top heavy when "key" employees hold more than 60% of its retirement funds in the accounts the plan holds for their benefit. Results of the top-heavy test may affect vesting requirements for a plan year. In addition, a minimum contribution of up to 3% of compensation may be due for the year(s) in which a plan is top heavy.

Intended for financial professional and plan sponsor use.

⁷ Internal Revenue Code Section 415 specifies the amount of contribution that may be allocated to an employee for a "limitation year." If 415 limits are exceeded, the qualified status of your plan may be jeopardized. We perform the 415 limits test each year to verify that your participants stay within these guidelines.

⁸ Principal® provides a populated Form 5500, audit package and applicable schedules for our clients based on information provided by the clients.

This document is intended to be educational in nature and is not intended to be taken as a recommendation.

The subject matter in this communication is educational only and provided with the understanding that Principal® is not rendering legal, accounting, investment or tax advice. You should consult with appropriate counsel, financial professionals, and other advisors on all matters pertaining to legal, tax, investment or accounting obligations and requirements.

Insurance products and plan administrative services provided through Principal Life Insurance Company®, a member of the Principal Financial Group®, Des Moines, Iowa 50392.

Principal®, Principal Financial Group® and the Principal logo design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.