Looking for the right retirement plan for your clients?

The right retirement plan could be a powerful benefit for attracting and keeping great employees. Finding the right plan to match each client's goals may help contribute to their success. **Let us help you find a plan design that's right for your client's goals.**

Who does the employer want the retirement plan to primarily benefit?

All employees

Does the employer want employees to contribute to the plan? Yes / No

- No → SEP IRA
- Yes → next question

Does the employer employ fewer than 100 employees who earn more than $5,000/year? Yes / No

- No → Defined contribution plan
- Yes → next question

Is the employer comfortable with a required employer contribution? Yes / No

- No → Defined contribution plan
- Yes → next question

Does the employer want to allow loans and/or employ a vesting schedule? Yes / No

- Yes → Defined contribution plan
- No → SIMPLE IRA

SEP IRA:

- Employer contributions only—lesser of: 25% of compensation or $69,000[1]
- Flexible contributions
- No loans or delayed vesting schedule allowed

Defined contribution plan [401(k) and 403(b)]:

- Employees can defer up to $23,000[1] ($30,500[1] if over age 50) or 100% of compensation[2]
- Roth (after-tax) contributions can be allowed
- Employer contribution is not required
- Profit sharing contributions can be allocated in various ways, subject to compliance testing; it may be possible to contribute more to owners and key employees
- Delayed vesting schedule can be allowed
- Loans may be allowed
- Safe harbor 401(k)
  - Type of 401(k) that eliminates ADP and ACP testing, allowing highly compensated employees to contribute the maximum amount[2]
  - Required employer contribution—4% match or 3% contribution to all eligible employees[3]
- Newly established 401(k)/403(b) plans must include automatic enrollment with automatic deferral increases as of 1/1/2025 (SECURE 2.0) with exceptions

SIMPLE IRA:

- Employees can only defer up to $16,000[1] ($19,500[1] if over age 50)
- Employer contributions are required: 100% match up to 3% or 2% of compensation for eligible employees[1]
- Roth (after-tax) contributions can be allowed
- No loans or delayed vesting schedule allowed

A select group of employees

Is the employer comfortable with providing a benefit with funding requirements that vary greatly each year? Yes / No

- Yes → Defined benefit plan
- No → Defined contribution—401(k) or 403(b) with profit sharing plan

Defined benefit plan:

- Typically favor long-time employees
- Limited contribution flexibility
- Actuary is involved
- Employees do not have individual account balance
- Fixed benefit will be available at normal retirement date
- Allows employer to provide a benefit in addition to any contributions made to a qualified defined contribution plan in excess of $69,000[4]

Defined contribution—401(k) or 403(b) with profit sharing plan:

- Flexible contributions
- Profit sharing contributions can be tailored to a specific group, with a goal of maximizing the contributions to the select group
- Allows employee deferrals, including Roth contributions
- Employees can defer up to $23,000[1] ($30,500[1] if over age 50) or 100% of compensation[2]
- Delayed vesting schedule can be allowed
- Loans may be allowed

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Intended for financial professional use.

Plan type	Overview	Typical plan sponsor	Employer advantages	Considerations
SEP IRA	• An IRA is established for each eligible employee • Employer makes **all** contributions • Generally a plan for **small** businesses and the self-employed • Employer contributions up to lesser of 25% compensation or $69,000[1]	Plan may be most appealing to those businesses with 10 employees or fewer that want to: • Make all contributions • Have contribution flexibility • Minimize administrative expenses	• Company contributions are generally federally tax-deductible • Easy administration and flexibility • No requirement on frequency and amount of contributions • No employer administration fee • Minimal paperwork	• Less flexibility than other qualified plans—no loan provisions, no delayed vesting, no Roth contributions • May be established up until the extended due date of the employer's tax return • May require the employer to cover employees who would be excludable under standard 401(k) plan provisions
SIMPLE IRA	• Employees can only defer up to $16,000[1] ($19,500[1] if over age 50) • Employers contribute either by matching up to 3% of each eligible employee's salary or contributing 2% of each eligible employee's salary, regardless of participation • Employer cannot maintain any other qualified plan in the same calendar year	Plan may be most appealing to businesses with fewer than 100 employees (including self-employed) that want to: • Minimize plan expenses • Minimize administrative responsibilities • Make a set employer contribution	• Company contributions are generally federally tax-deductible • Easy administration • No compliance testing or annual Form 5500 filing needed • No employer administration fee • Minimal paperwork	• An annual employer contribution is required • Less flexibility and cannot offer another qualified plan in same year • No loans or vesting allowed • Plan sponsors permitted to allow employees to treat employee and employer contributions as Roth* • Must establish between Jan. 1 and Oct. 1 • May require the employer to cover employees who would be excludable under standard 401(k) plan provisions *Until additional regulatory guidance is issued, plans may want to delay adopting the ER portion of this provision.
401(k) and 403(b) plans	• Popular retirement plan for businesses, recognized and typically easily understood by employees	All businesses, except governmental agencies, that want to: • Benefit key employees • Have contribution flexibility • Support participant education • Have plan flexibility	• Company contributions are generally federally tax-deductible • The most flexible plan design • Additional profit sharing contributions allowed that may be subject to vesting • Administrative costs may be offset by tax, coverage, or savings from vesting schedule • Tax credit available to first-time retirement plan sponsors	• A higher level of participation by non-highly compensated employees may be necessary for owners or other highly compensated employees to defer the maximum salary deferral contributions allowed[2] • The Setting Every Community Up for Retirement Enhancement (SECURE) Act and SECURE 2.0 give unrelated employers the ability to band together and offer a pooled employer plan (PEP) outsourcing resources to help limit fiduciary risk and reduce the administrative burden • Auto-enrollment required for most new 401(k)/403(b) start-up plans (as an Eligible Automatic Contribution Arrangement or EACA): — Default contribution rate must be at least 3%, but not more than 10% — Plus an automatic contribution increase of 1% per year up to a maximum of at least 10%, but not more than 15%. (Max cap is 10% for plan years prior to 2025.)
Safe harbor 401(k)	• Allows employers to enjoy the benefits of a traditional 401(k) plan with fewer plan compliance tests • May allow higher salary deferral contributions than a traditional 401(k) plan if specific employer contributions are made to the plan	All businesses, except governmental agencies, that want to: • Benefit key employees • Minimize plan compliance testing • Make a set employer contribution	• Company contributions are generally federally tax-deductible • Enjoy benefits of a traditional 401(k) plan with fewer compliance tests • Additional profit sharing contributions allowed that may be subject to vesting • Administrative costs may be offset by tax, coverage, or savings from vesting • Key employees may be able to get to maximum deferral limit[2]	• An annual employer contribution is required • An annual employee notice is required
Defined benefit plan (DB)	• A pension plan may require a greater fixed commitment by the plan sponsor, but in many circumstances may provide for the highest levels of employer contributions	Although traditionally sponsored by large employers, many employers with fewer than 50 employees could establish a DB plan if they want to: • Make all contributions • Fund greater than $69,000 for key employees[4] • Make all investment decisions and bear all investment risk	• Company contributions are generally federally tax-deductible • Some coverage flexibility with respect to employees, particularly those working fewer than 1000 hours per year • Highest contributions may be possible for a plan with one owner, or family only, particularly if business owner is over age 50	• There are two types of DB plans that are most frequently used: traditional and cash balance • Contributions are the least flexible and the employer bears all investment risk • Requires hiring an actuary for implementation and ongoing administration • May provide maximum contributions but allow the least flexibility • Employees do not have individual account balances and will not be allowed to invest their own retirement money; they will receive a known/fixed benefit at their normal retirement date

[1] Of eligible compensation and for the 2024 calendar year. [2] As allowed by the plan document. [3] 100% of the first 3%, then 50% of next 2%. [4] IRS 415 Limit for 2024 is lesser of $69,000 or 100% of compensation. Additional factors may apply for DB plan 415 limits.