Key Features of Employer-Sponsored Retirement Plans (2015)

	IRA-Based Plans				Defined Contributions Plans			
	Payroll Deduction IRA	**SEP IRA**	**SIMPLE IRA**	**Defined Benefit Plan**	**Safe-Harbor 401(k)**	**Automatic Enrollment 401(k)**	**401(k)**	**Profit-Sharing**
Key Advantage	Easy to set up and maintain.	Easy to set up and maintain and can be established and contributions made after year-end.	Salary reduction plan with little administrative paperwork.	Provides a fixed, pre-established benefit for employees.	Permits employee to contribute more than IRA-based plans without annual discrimination testing. Plans may include qualified Roth contribution program.	Provides high level of participation and helps the plan pass nondiscrimination testing, if applicable. Also safe-harbor relief for default investments. Plans may include qualified Roth contribution program.	Permits employee to contribute more than IRA-based plans. Plans may include qualified Roth contribution program.	Permits employer to make large contributions for employees.
Key Disadvantage	IRA limits and rules apply to contributions.	Employees cannot make salary reduction contributions.[1]	Employer contributions required even if business has no profits.	Expensive to maintain due to required actuarial computations.	Employer contributions required.	Additional employee notice requirements. ADP and ACP testing may be required.	ADP and ACP testing required (if more than one participant).	Employees benefit only if employer makes contributions.
Eligible Employers	Any business with one or more employees.	Any business that does not currently maintain any other retirement plan.	Any business with 100 or fewer employees earning at least $5,000 that does not currently maintain any other retirement plan.	Any business with one or more employees.	Any business with one or more employees.			
Employer's Responsibilities	Set up arrangements for employees to make payroll deduction contributions. Transmit employee contributions to their IRAs. No employer tax filing required.	May set up plan by completing IRS Form 5305-SEP. No employer tax filing required.	May set up plan by completing IRS Form 5304-SIMPLE or 5305-SIMPLE. No employer tax filing required. Bank or financial institution does most of the paperwork.	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor is necessary. Annual filing of IRS Form 5500 is required.[2] Employer generally must make the annual contribution, which is determined by an actuary.	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor may be necessary. A minimum amount of employer contributions is required. Annual filing of IRS Form 5500 is required.[2]	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of IRS Form 5500 is required.[2]	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of IRS Form 5500 required.[2] Requires annual nondiscrimination testing to ensure plan does not discriminate in favor of highly compensated employees.	
Funding Responsibility	Employee contributions remitted through payroll	Employer contributions only.[1]	Employee salary reduction contributions and/or	Primarily employer; may require or permit employee	Employee salary reduction contributions and employer	Employee salary reduction contributions and employer contributions	Employee salary reduction contributions and/or	Employer contribution level can be determined year to year

	payroll deduction.		and/or employer contributions.	employee contributions.	and employer contributions.	contributions. Qualified automatic contribution arrangements (QACAs) exempt plan from annual IRS testing requirement.	and/or employer contributions.	year to year.
Maximum Annual Contribution Per Participant	Up to $5,500. Additional contributions of up to $1,000 can be made by participants age 50 or older by year-end.	Lesser of (1) 25%[3] of compensation[4] or (2) $53,000.	*Employee:* Up to $12,500. Additional contributions of up to $3,000 can be made by participants age 50 or older by year-end. *Employer:* Either match employee contributions dollar for dollar up to 3% of compensation (can be reduced to as low as 1% in any two out of five yrs.) or contribute 2% of each eligible employee's compensation.[5]	Annually determined, per plan terms. Maximum annual benefit at retirement is lesser of (1) $210,000 or (2) 100% of highest three-year average pay.	*Employee:* Up to $18,000. Additional contributions up to $6,000 can be made by participants age 50 or older by year-end. *Employer/employee combined:* Contributions per participant up to the lesser of (1) 100% of compensation[3] or (2) $53,000 ($59,000 if age 50 or older by year-end). Employer can deduct amounts that do not exceed 25%[2] of aggregate compensation[3] for all participants.			Contributions per participant up to the lesser of (1) 100% of compensation or (2) $53,000. Employer can deduct amounts that do not exceed 25%[3] of aggregate compensation[4] for all participants.
Withdrawals and Loans	Withdrawals at any time, subject to income taxes and if the participant is under age 59½, a possible 10% penalty. Participant loans not allowed.		Withdrawals at any time, subject to income taxes. If employee is under age 59½, may also be subject to a penalty (25% penalty if taken within the first two years of participation and a 10% penalty thereafter). Participant loans not allowed.	Payment of benefits generally at retirement, subject to income taxes. If employee under age 59½, possible 10% penalty. May offer participant loans.	Payment of benefits generally at retirement (but can be earlier if the plan permits). *Exception:* Elective deferrals generally cannot be distributed before the earlier of the date the participant (1) reaches age 59½, (2) separates from service, (3) becoming disabled or (4) dies. Withdrawals generally are taxable and if participant is under age 59½, may be subject to a 10% penalty. May permit loans and hardship withdrawals.			Payment of benefits generally at retirement (but can be earlier if the plan allows). Withdrawals generally are taxable and if participant is under age 59½, may be subject to a 10% penalty. May permit loans and hardship withdrawals.
Vesting	Immediate 100%.		Employee salary reduction contributions and employer contributions vest immediately.	May vest over time according to plan terms (five-year cliff or seven-year graded generally allowed).	Employee salary reduction contributions and most employer contributions vest immediately. Some employer contributions may vest over time according to plan terms (three-year cliff or six-year graded generally	Employee salary reduction contributions vest immediately. Employer contributions may vest over time according to plan terms (three-year cliff or six-year graded generally allowed).		May vest over time according to plan terms (three-year cliff or six-year graded generally allowed).

					allowed).			
Contributor's Options	Employee can decide how much to contribute at any time.	Employer can decide whether or not to make contributions year to year.	Employee can decide how much to contribute. Employer must make matching contributions (up to 3% of compensation) or contribute 2% of each employee's compensation.[5]	Employer makes contribution as set by plan terms.	Employees can decide how much to contribute pursuant to a salary reduction agreement. The employer must make either specified matching contributions or a 3% contribution to all participants.	Employees, unless they opt otherwise, must make salary reduction contributions specified by the employer. The employer can make additional matching contributions as set by plan terms.	Employees can decide how much to contribute pursuant to a salary reduction agreement. The employer can make an additional contribution, including matching contributions as set by plan terms.	Employer makes contribution as set by plan terms.

[1] *Exception:* Employee deferrals are allowed under a salary reduction SEP established before 1997.

[2] Certain small, one-participant plans are exempt from filing. See *Reporting Requirements*.

[3] 20% for self-employed individuals.

[4] Maximum compensation on which contributions can be based is $265,000.

[5] Maximum compensation on which employer 2% non-elective contributions can be based is $265,000.