



## Small Business Retirement Savings Programs Pension & Welfare Benefits Administration Employer Advisor

**The information contained in this table is based on current interpretation of the law. Where IRS guidance is pending, assumptions have been made. Seek tax advice for additional rules and complete information.**

Options Features	SEP-IRA	Payroll Deduction IRA	SIMPLE- IRA	401(k)	Profit Sharing	Defined Benefit	Money Purchase Plan
<b>Key Advantage</b>	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.	Permits employee to contribute more than in other options.	Permits employer to create large account balances for employees.	Provides a fixed, pre-established benefit for employees.	Permits employer to make a larger contribution than through other Defined Contribution Plans.
<b>Employers Who Can Provide This Option</b>	Any business that does not currently maintain any other retirement plan.	Any business with one or more employees.	Any business with 100 or fewer employees that does not currently maintain any other retirement plan.	Any business with one or more employees.	Any business with one or more employees.	Any business with one or more employees.	Any business with one or more employees.
<b>Employer's Responsibilities</b>	Set up plan by completing IRS Form 5305-SEP. No employer tax filing required.	Set up arrangements for employees to make payroll deduction contributions. Transmit contributions for employees to funding vehicle. No employer tax filing required.	Set up 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 would be necessary. Annual filing of IRS Form 5500 required. Also requires special testing to ensure plan does not discriminate in favor of highly compensated employees.	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor would be necessary. Annual filing of IRS Form 5500 is required.	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor would be necessary. Annual filing of IRS Form 5500. Actuary must determine funding obligations.	There is no model form to establish a plan. Advice from a financial institution or employee benefit advisor would be necessary. Annual filing of IRS Form 5500 is required.

Options Features	SEP-IRA	Payroll Deduction IRA	SIMPLE-IRA	401(k)	Profit Sharing	Defined Benefit	Money Purchase Plan
<b>Funding Responsibility</b>	Employer contributions only.	Employee contributions remitted through payroll deduction.	Employee salary reduction contributions and/or employer contributions.	Employee salary reduction contributions and/or employer contributions.	Employer contribution level can be determined year to year.	Primarily employer; may require or permit employee contributions.	Employer contributions only.
<b>Maximum Annual Contribution Per Participant</b>	Up to 15% of compensation or maximum of \$24,000 (indexed). 1	\$2,000	<i>Employee:</i> \$6,000 per year (indexed). <i>Employer:</i> Either match employee contributions \$ for \$ up to 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 yrs.) or contribute 2% of each eligible employee's compensation, up to \$3,200 2	<i>Employee:</i> \$10,000 (indexed). <i>Employer/Employee combined:</i> Up to a maximum of 15% of compensation or a maximum of \$30,000 1	Up to a maximum of 15% of salary or a maximum of \$30,000. 1	Per plan terms, employer may permit or require employee contribution.	Up to a maximum of 25% of salary or a maximum of \$30,000. 1
<b><u>Minimum Employee Coverage Requirements</u></b>	Must be offered to all employees who are at least 21 years of age, employed by the business for 3 of last 5 years and earned at least \$400 in a year.	Should be made available to all employees.	Must be offered to all employees who have earned at least \$5,000 in previous 2 years.	Must be offered to all employees at least 21 years of age who worked at least 1,000 hours in previous year.	Must be offered to all employees at least 21 years of age who worked at least 1,000 hours in previous year.	Must be offered to all employees at least 21 years of age who worked at least 1,000 hours in previous year.	Must be offered to all employees at least 21 years of age who worked at least 1,000 hours in previous year.

<b>Options</b> Features	<b>SEP-IRA</b>	<b>Payroll Deduction IRA</b>	<b>SIMPLE-IRA</b>	<b>401(k)</b>	<b>Profit Sharing</b>	<b>Defined Benefit</b>	<b>Money Purchase Plan</b>
<b>Withdrawals, Loans &amp; Payments</b>	Withdrawals at anytime; subject to current federal income taxes and a possible 10% penalty if the participant is under age 59 1/2.	Withdrawals at anytime; subject to current federal income taxes and a possible 10% penalty if the participant is under age 59 1/2.	Withdrawals at any time. If employee is under age 59 1/2, may be subject to a 25% penalty if taken within the first 2 years of participation and a possible 10% penalty if taken afterwards.	Cannot take withdrawals until a specified event, such as reaching 59 1/2, death, separation from service or other event as identified in plan. May permit loans and hardship withdrawals. Withdrawals may be subject to a possible 10% penalty if participant is under age 59 1/2.	May permit loans and hardship withdrawals. Hardship withdrawals may be subject to a possible 10% penalty if participant is under age 59 1/2. Payment of benefits generally at retirement.	Payment of benefits generally at retirement, may offer participant loans.	Payment of benefits generally at retirement, may offer participant loans.
<b>Vesting</b>	Immediate 100%	Immediate 100%	Employee and employer contributions vested 100% immediately.	Employee contributions vested immediately. Employer contributions may vest over time according to plan terms.	May vest over time according to plan terms.	May vest over time according to plan terms.	May vest over time according to plan terms.
<b>Contributor's Options</b>	Employer can decide whether or not to make contribution year to year.	Employee can decide how much to contribute at any time.	Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's salary up to the set maximum.	Employee makes contribution as set by plan option. The employer may match.	Employer makes contribution as set by plan terms.	Employer makes contributions as set by plan terms.	Employer makes contribution as set by plan terms.

1. Maximum compensation on which 1997 contributions can be based is \$160,000. For plan years beginning on or after January 1, 1998, maximum compensation on which contributions can be based is \$160,000.
2. Maximum compensation on which 1998 employer 2% non-elective contributions can be based is \$160,000.