



# Employer-Sponsored Retirement Plans

## Comparison of Features and Benefits – 2017 Plan Limits

| Feature / Benefit             | SEP IRA   | SIMPLE IRA   | Individual 401(k)   | Traditional 401(k)  | Profit Sharing                      | Money Purchase Pension              |
|-------------------------------|---|--|---|---|-------------------------------------|-------------------------------------|
| <b>Eligible Employer</b>      | Any employer. Employers who have leased employees or maintain any other retirement plan cannot use the IRS model Form 5305-SEP, but may use a prototype SEP plan. | Any employer having no more than 100 employees with \$5,000 or more in compensation during the preceding year. Generally, the SIMPLE IRA must be the only plan maintained by the employer. | Any employer, provided only the business owner (and his/her spouse) or partners in a partnership (and their spouses) are eligible to participate in the plan. | Any employer.   | Any employer.                       | Any employer.                       |
| <b>Types of Contributions</b> | Employer contributions only.  | Both employer and employee contributions.  | Both employer and employee contributions.<br><br>Employee contributions may include designated Roth contributions, at the discretion of the employer.         | Both employer and employee contributions.<br><br>Employee contributions may include designated Roth contributions, at the discretion of the employer. | Employer contributions only.        | Employer contributions only.        |
| <b>Age Requirement</b>        | Can exclude employees under age 21.   | N/A  | Can exclude employees under age 21.   | Can exclude employees under age 21.   | Can exclude employees under age 21. | Can exclude employees under age 21. |



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|---|---|--|--|---|---|---|
| <b>Service &amp; Compensation Requirement</b> | Must include full-time, part-time and seasonal employees who worked in any 3 of the 5 preceding years. (May exclude employees earning less than \$600 during the year.) | Must include full-time, part-time and seasonal employees who received at least \$5,000 in compensation during any 2 preceding calendar years (whether or not consecutive) and are reasonably expected to receive at least \$5,000 in compensation during this calendar year.   | Must include employees who have performed at least one (1) year of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period. | Must include employees who have performed at least one (1) year of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period.<br><br>May require 2 years of service to receive employer contributions. | Must include employees who have performed at least two (2) years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period. | Must include employees who have performed at least two (2) years of service. A year of service can be defined as up to 1,000 hours of service during a 12-month period. |
| <b>Mandatory Employer Contribution</b>        | No  | Yes, dollar for dollar match of employee contributions up to 3% of compensation (including the catch-up contribution); or 2% non-elective contribution to all eligible employees.<br><br>Compensation cap of \$265,000 applies only to non-elective contributions.<br><br>Matching contribution may be reduced to as low as 1% in no more than 2 of any 5 years. | No   | No  | No  | Yes, up to 25% of employees eligible compensation.<br><br>Compensation cap of \$265,000 applies.  |
| <b>Maximum Employee Contribution</b>          | N/A   | \$12,500; plus an additional \$3,000 catch-up contribution if age 50 or older, for a total of \$15,500   | \$18,000; plus an additional \$6,000 catch-up contribution if age 50 or older, for a total of \$24,000   | \$18,000; plus an additional \$6,000 catch-up contribution if age 50 or older, for a total of \$24,000  | N/A   | N/A   |



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| <b>Maximum Contribution Allowed for Employee</b> | <p>Lesser of: 25% of employee's eligible compensation OR \$54,000.</p> <p>Compensation cap of \$270,000 applies.</p> | <p>\$12,500 employee deferral plus employer match or non-elective contribution; plus \$3,000 catch-up contribution, if applicable.</p> <p>Compensation cap of \$270,000 applies only to non-elective contributions.</p> | <p>Lesser of: Salary deferrals plus 100% match of deferrals plus non-elective contributions OR \$54,000 + catch-up contribution, if applicable.</p> <p>Compensation cap of \$270,000 applies.</p> | <p>Lesser of: Salary deferrals plus 100% match of deferrals plus non-elective contributions OR \$54,000 + catch-up contribution, if applicable.</p> <p>Compensation cap of \$270,000 applies.</p>                                   | <p>Lesser of: 25% of eligible compensation OR \$54,000.</p> <p>Compensation cap of \$270,000 applies.</p>   | <p>Lesser of: 25% of eligible compensation OR \$54,000.</p> <p>Compensation cap of \$270,000 applies.</p>   |
| <b>Vesting of Contributions</b>                  | 100% immediate vesting.  | 100% immediate vesting.   | 100% immediate vesting.   | <p>Employee Contributions: 100% immediate vesting.</p> <p>Employer Contributions: If eligibility is 1 year or less, vesting can be cliff or graded. If eligibility is more than 1 year, 100% vesting is required after 2 years.</p> | If eligibility is 1 year or less, vesting schedule can be either cliff or graded. If eligibility is more than 1 year, 100% vesting is required after 2 years. | If eligibility is 1 year or less, vesting schedule can be either cliff or graded. If eligibility is more than 1 year, 100% vesting is required after 2 years. |
| <b>Deadline To Establish Plan</b>                | Employer's tax filing deadline, including extensions.  | October 1.<br>If business is created after October 1, special rules apply.  | Last day of employer's taxable year (calendar year or fiscal year).   | Last day of employer's taxable year (calendar year or fiscal year).   | Last day of employer's taxable year (calendar year or fiscal year).   | Last day of employer's taxable year (calendar year or fiscal year).   |



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| <b>Deadline for Making / Depositing Contributions</b>       | Employer's tax filing deadline, including extensions. | <p>Employee Contributions:<br/>As soon as contributions can be reasonably segregated from employer's general assets, but no later than the 30th day of the month following the month of the deferral.</p> <p>Employer Contributions:<br/>Employer's tax filing deadline, including extensions.</p> | <p>Employee Contributions:<br/>As soon as contributions can be reasonably segregated from employer's general assets, but no later than the 15th day of the month following the month of the deferral.</p> <p>Employer Contributions:<br/>Employer's tax filing deadline, including extensions.</p> | <p>Employee Contributions:<br/>As soon as contributions can be reasonably segregated from employer's general assets, but no later than the 15th day of the month following the month of the deferral.</p> <p>Employer Contributions:<br/>Employer's tax filing deadline, including extensions.</p> | Employer's tax filing deadline, including extensions.   | Employer's tax filing deadline, including extensions.   |
| <b>Administrative and Regulatory Reporting Requirements</b> | Employee notice.                                      | Annual notification to employees that must be delivered by November 1 of each year which includes a summary of how the plan works and employer's contribution method for the next calendar year.   | IRS Form 5500 is required when plan balances exceed \$250,000.   | <p>IRS Form 5500 filing, non-discrimination testing, wide variety of employee notices, summary plan descriptions and summary annual reports.</p> <p>ADP and ACP testing is waived if plan is a safe-harbor 401(k).</p>   | <p>IRS Form 5500 filing, non-discrimination testing, wide variety of employee notices, summary plan descriptions and summary annual reports.</p> <p>Owner-only plans are not required to file IRS Form 5500 until plan balances exceed \$250,000.</p> | <p>IRS Form 5500 filing, non-discrimination testing, wide variety of employee notices, summary plan descriptions and summary annual reports.</p> <p>Owner-only plans are not required to file IRS Form 5500 until plan balances exceed \$250,000.</p> |
| <b>Complexity</b>   | Low   | Low  | Low  | High   | Medium  | Medium  |



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| <b>Timing of Participant Withdrawals</b> | <p>At any time.</p> <p>IRS 10% early withdrawal penalty applies for withdrawals made before age 59 ½ unless certain exceptions apply.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½.</p> | <p>At any time.</p> <p>IRS 10% early withdrawal penalty applies for withdrawals made before age 59 ½ unless certain exceptions apply. The penalty is increased to 25% if the withdrawal is made during the first two years of participation in the plan.</p> <p>Withdrawals within the first two years are also not eligible for transfer or rollover to a traditional IRA.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½.</p> | <p>After a triggering event, such as retirement, separation from service, disability or death.</p> <p>Loans and hardship withdrawals may be permitted at the discretion of the employer.</p> <p>IRS 10% early withdrawal penalty generally applies before age 59 ½ unless certain exceptions apply. No 10% penalty when age 55 or older at separation from service.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½ if you are no longer working or are a 5% owner.</p> | <p>After a triggering event, such as retirement, separation from service, disability or death.</p> <p>Loans and hardship withdrawals may be permitted at the discretion of the employer.</p> <p>IRS 10% early withdrawal penalty generally applies before age 59 ½ unless certain exceptions apply. No 10% penalty when age 55 or older at separation from service.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½ if you are no longer working or are a 5% owner.</p> | <p>After a triggering event, such as retirement, separation from service, disability or death.</p> <p>Loans and hardship withdrawals may be permitted at the discretion of the employer.</p> <p>IRS 10% early withdrawal penalty generally applies before age 59 ½ unless certain exceptions apply. No 10% penalty when age 55 or older at separation from service.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½ if you are no longer working or are a 5% owner.</p> | <p>After a triggering event, such as retirement, separation from service, disability or death.</p> <p>Loans and hardship withdrawals may be permitted at the discretion of the employer.</p> <p>IRS 10% early withdrawal penalty generally applies before age 59 ½ unless certain exceptions apply. No 10% penalty when age 55 or older at separation from service.</p> <p>Required Minimum Distributions (RMDs) begin at age 70 ½ if you are no longer working or are a 5% owner.</p> |



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| <b>Important Notes</b> | Discretionary contribution feature allows businesses that do not have established profit patterns or have fluctuation in profits to determine the percentage to contribute (from 0% to 25%) year by year. This plan generally requires that an equal percentage of eligible compensation be deposited for each eligible employee. | Plan may only be operated on a calendar year basis.<br><br>Can be set up so all contributions are made to a Designated Financial Institution (DFI) or as a non-DFI plan giving employees the ability to choose where they establish their account. DFI plans carry special rules regarding the transfers of balances. | An Individual 401(k) plan is really a traditional 401(k) that can only be used by plans that have no non-owner (common law) employees or all common law employees are under the age of 21 and/or work less than 1,000 hours each year. | For employers concerned about getting adequate participation by employees, a safe-harbor provision can be added that avoids ADP and ACP testing, requires an employer contribution, 100% vesting, and allows highly compensated employees to maximize their own deferrals. | Discretionary contribution feature allows businesses that do not have established profit patterns or have fluctuation in profits to determine the percentage to contribute (from 0% to 25%) year by year.<br><br>Features like vesting schedules, loans and hardship withdrawals are also available. | Because employer contributions are required with money purchase pension plans, but the contribution and deductibility limits are the same as profit sharing plans (which allow for discretionary contributions), interest in opening or maintaining money purchase pension plans has been minimal in recent years. |

**IMPORTANT DISCLOSURES** Benjamin F. Edwards & Co. does not provide tax or legal advice. This chart provides a high level comparison of the features and benefits of selected retirement plans. This chart is for information purposes only and is not intended to provide complete information on any plan. Business owners should seek professional advice about their individual circumstances before establishing and maintaining a retirement plan.