

401(k) VS. SIMPLE IRA

Plan Feature	401(k)	Simple IRA
2023 Employee Contribution Limits	Under age 50: \$22,500 Age 50+: \$30,000	Under age 50: \$15,500 Age 50+: \$19,000
Plan Loans	Allowed	Not Allowed
Employee Eligibility	21 years old, 1 year of service, and 1,000 hours/year	Receive \$5,000 in compensation in any 2 preceding years and expected to receive \$5,000 in the current year
Employer Contributions	Flexible match and profit-sharing options	3% match or 2% non-elective contribution
2023 Maximum Contributions	Under age 50: \$66,000 Age 50+: \$73,500	Employee maximum + 3% salary match
Vesting Schedule	Available on employer contributions	N/A. All employer contributions are immediately vested

ADDITIONAL INFORMATION:

- 401(k)'s also give you the option to maximize employer contributions for owners and executives through a "new comparability" plan.
- 401(k)'s offer more flexibility along with higher costs, additional rules, and more complex administration
- Simple IRA's sacrifice flexibility in exchange for being easier to set up, run, and less expensive to maintain.

ADMINISTRATIVE RESPONSIBILITIES:

401(k)	Simple IRA
Operate based on plan document.	Operate based on a 5304 or 5305.
Choose an appropriate investment lineup.	Set up IRA accounts for employees
Deposit employee contributions in a timely manner.	Send plan notice to employees when they join, then each year thereafter
Send required participant disclosures in a timely manner each year.	
Ensure loans are approved and properly administered.	
Approve distributions, rollovers, and QDROs.	
Return your 401(k) provider's year-end questionnaire in a timely manner.	
Review the accuracy of data used for nondiscrimination testing.	
File form 5500.	