

# Retirement plans at a glance

Before you start a new retirement plan for your business or change the type of plan you currently offer, it's important to carefully evaluate the features and benefits of each option. Here's a comparison of the different types of retirement plans.

## IRA-based plans

These offer participants the opportunity to establish their own IRA to manage their investments. They're typically the least expensive to establish and maintain, but they also provide less flexibility for contributions and plan design.

## Defined contribution plans

These offer the most contribution and plan design flexibility. Typically they're more expensive to maintain than an IRA-based plan.

## Defined benefit plans

These provide participants with a predetermined retirement benefit. Contributions are calculated to fund future benefits according to the plan document. Defined benefit plans require the service of an actuary.

<b>Employer availability</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
Types of employers eligible to establish plan	Generally for smaller employers; corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships, nonprofit and government entities	For employers with 100 employees or less; corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships, nonprofit and government entities	Corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships and nonprofits	Must not have any eligible employees other than a spouse or business owner(s); available for corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships and nonprofits	Corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships, nonprofit and government entities	Corporations, sub-chapter S corporations, LLCs, proprietorships, partnerships, nonprofit and government entities
<b>Employer contributions</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
2021 limit	\$58,000 or 25% of eligible compensation, whichever is less	Option 1: Match employee contribution up to 3% of compensation Option 2: Non-elective 2% of compensation to all eligible employees	\$58,000 or 100% of eligible compensation, whichever is less Employer deductibility is limited to 25% of the total eligible participant compensation	\$58,000 or 100% of eligible compensation, whichever is less Employer deductibility is limited to 25% of the total eligible participant compensation	\$58,000 or 100% of eligible compensation, whichever is less Employer deductibility is limited to 25% of the total eligible participant compensation	Determined by an actuary, maximum annual benefit the plan can be funded for is \$230,000
Vesting schedule allowed	No	No	Yes, but employee 401(k) deferrals are always 100% vested	No	Yes	Yes
Mandatory employer contributions	No	Yes	No	No	No	Yes
Allows formulas to benefit highly compensated employees	Yes	No	Yes <sup>1</sup>	Yes	Yes <sup>1</sup>	Yes

<sup>1</sup> Special formulas are available for employer profit sharing contributions.

<b>Employee contributions</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
2021 annual deferral contribution limit	N/A	\$13,500	\$19,500 <sup>2</sup>	\$19,500 <sup>2</sup>	N/A	N/A
2021 catch-up contribution limit for participants who are 50 or above	N/A	\$3,000	\$6,500 <sup>3</sup>	\$6,500 <sup>3</sup>	N/A	N/A
Rollovers from other qualified or IRA plans allowed	Yes	Yes, but owner of the SIMPLE IRA must have participated for 2 years or more	Yes, but must be specified in the plan document	Yes, but must be specified in the plan document	Yes, but must be specified in the plan document	Yes, but typically not permitted by the plan
<b>Most restrictive participation requirements</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
Age	21	N/A	21	21	21	21
Service	Three out of five years of service requirement	Two years	One year of service (1,000 hours) requirement	One year of service (1,000 hours) requirement	Option 1: One year of service (1,000 hours) requirement with vesting schedule Option 2: Two years with immediate vesting	Option 1: One year of service (1,000 hours) requirement with vesting schedule Option 2: Two years with immediate vesting
Compensation	Earned a minimum of \$650 in the current calendar year	Earned a minimum of \$5,000 in any two previous years and is expected to earn \$5,000 in the current year	N/A	N/A	N/A	N/A
<b>Special features available</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
Loans	No	No	Yes	Yes	Yes	Yes, but typically not permitted by the plan
Roth deferrals	N/A	No	Yes	Yes	N/A	N/A
<b>Reporting and testing requirements</b>	<b>SEP IRA</b>	<b>SIMPLE IRA</b>	<b>401(k)</b>	<b>Individual(k)</b>	<b>Profit sharing</b>	<b>Defined benefit</b>
IRS Form 5500 (required if plan has rank-and-file employees or \$250,000+ in plan assets)	No	No	Yes	Yes	Yes	Yes
Annual discrimination and compliance testing	No	No	Yes	No	Yes	Yes

<sup>2</sup> Counts toward the overall limit of \$58,000.

<sup>3</sup> Counts toward the overall limit of \$64,500 if 50 or above.

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