



SIMPLE IRA or 401(k)?

Plan Sponsor FAQs
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As a business owner, what factors should I consider in deciding to upgrade from a Simple IRA to a 401(k) Retirement Savings Plans?

- Personally, I would like to invest a larger share of my compensation for retirement and am interested in a larger tax deduction for my business.
- My business is approaching 100 employees (the maximum allowed in a SIMPLE IRA).
- I would like more options in the design of the plan such as vesting, eligibility, profit sharing, distributions, loans, etc.
- I would like to provide a larger retirement benefit for my employees.
- I would like more flexibility in my employer contribution.
- I would like to be able to exclude part-time employees (those working < 1,000 hours in a year).
- I would like to limit the pre-retirement access my employees have to their retirement savings while under my employment.

Description	SIMPLE IRA	401(k) Plan	Added Benefit
Salary Deferral, Maximum	\$12,500	\$18,000	\$5,500
Employer Contribution, Maximum	\$7,950	\$35,000	\$27,050
Maximum Benefit	\$20,450	\$53,000	\$32,550
Additional Benefit if Age 50 or Older			
Catch-Up Contribution	\$3,000	\$6,000	\$3,000
Maximum Benefit Age 50 or Older	\$23,450	\$59,000	\$35,550
Other Key Points to Consider	SIMPLE IRA	401(k) Plan	
Vesting	None	2 to 6 Year Graded or 3-Year Cliff	
Eligibility	Almost everyone	Can limit based on hours	
Number of Employees	Up to 100	Unlimited	
Safe Harbor Nonelective	2% to all eligible employees	3% to all eligible employees	
Safe Harbor Match	Up to 3% for those participating	Up to 4% for those participating	