

Retirement Plan Comparisons

	SIMPLE IRA	401(k)
Eligible Businesses	Any employer with 100 or fewer employees	Any employer
Employer Contribution	Employer contribution options: <ul style="list-style-type: none"> • Match employee’s deferral \$ for \$ up to 3% of employee’s compensation (3% match is required 3 of every 5 years) • Contribute 2% of each eligible employee’s compensation 	The lesser of \$69,000 or 100% of compensation (employers may only deduct up to 25% contribution) in aggregate between salary deferral and any applicable profit sharing contribution (if the plan allows for PSP contributions)
Salary Deferral Contribution	Limited to \$16,000 for 2024	Limited to \$23,000 for 2024
Catch up Contribution for Participants Age 50+	\$3,500	\$7,500
Eligibility Guidelines	<ul style="list-style-type: none"> • Must include any employee who earns at least \$5,000 in prior years and is expected to earn \$5,000 in the current year • Certain employees can be excluded, such as union members and non-resident aliens with no U.S. income 	<ul style="list-style-type: none"> • Must include any employee who is age 21 or older and: <ul style="list-style-type: none"> - has completed 1,000 hours of service within one year or - has completed 500 hours of service within three consecutive years • Certain employees can be excluded, such as union members and nonresident aliens with no U.S. income
Vesting	100% immediate vesting	Vesting schedule may be established
Loans Permitted	No loan provision allowed	Loans are permitted
Establishment Deadline	January 1 through October 1	Last day of employer’s fiscal year, but no later than the commencement of employee salary deferral contributions

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SIMPLE IRA

401(k)

Advantages

- Minimal paperwork
- Low employer contributions
- Minimal tax filing (Form 5498 is prepared by IRA custodian)
- Employee deferrals are allowed
- Not subject to nondiscrimination testing

- Allows for participant salary deferrals
- Contributions not mandatory — employer can contribute some years and not others
- Customized plan design permitted
- Employer contributions may be subject to a vesting schedule
- Forfeitures can offset employer contributions or provide extra allocations
- Employer may maintain other plan concurrently

Disadvantages

- No vesting schedule
- Must have 100 or fewer employees to be eligible to establish a SIMPLE
- Required employer contribution
- Employer cannot concurrently maintain another employer-sponsored plan
- Maximum deferral is lower than a 401(k) allows

- Subject to nondiscrimination testing
- Generally higher administrative expenses than SIMPLE IRAs or Safe Harbor 401(k)s
- May not maximize benefits for key employees
- Trust and recordkeeping fees may apply
- Not available to state and local governments

Consider This Plan Type if:

- The business has 100 or fewer employees
- The company is looking for a salary deferral plan with minimal employer contribution obligation
- The company has a 401(k) plan that continually fails nondiscrimination testing

- The employer wants the highest limits for employer and participant contributions
- The employer wants a vesting schedule
- The employer wants a customized plan design
- The plan needs loans to encourage participation
- The employer wants to retain flexibility with respect to matching contributions

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IRAs and other retirement plans may have fees associated with them in addition to costs associated with investing the assets of the IRA or retirement plan. These fees may include, but are not limited to; annual account fees, administrative fees that may include recordkeeping of the plan, legal fees, accounting fees, termination fees, etc. Please consult with your advisor or plan sponsor to learn more about the fees associated with a particular plan.