

RETIREMENT PLANS OVERVIEW 2020

RETIREMENT PLANS THAT PERMIT BOTH EMPLOYEE AND EMPLOYER CONTRIBUTIONS

Features	Simple IRA	Basic 401(k)	Safe Harbor 401(k)
Advantages	Low set-up and administrative costs, simple to maintain	Permits employees to make larger contributions and offers more plan features than a SIMPLE IRA	Permits owners to make larger contributions than a Basic 401(k) plan as nondiscrimination testing is not required
Disadvantages	Minimum contributions for employees are required and contributions for owners are lower than a 401(k) plan	More complex and higher costs for administration than a SIMPLE IRA. Nondiscrimination testing is required	More complex and higher costs for administration than a SIMPLE IRA. Minimum contributions for employees are required
Employer eligibility	Any type of business with 100 or fewer employees	Any type of business	Any type of business
Employee eligibility requirements (maximum limits)	Any employee who earned \$5,000 OR more in 2 prior years and who will be expected to earn \$5,000 or more in the current year	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period
Maximum employee deferral contribution	\$13,500 (\$16,500 if employee is age 50 or older)	\$19,500 (\$26,000 if employee is age 50 or older)	\$19,500 (\$26,000 if employee is age 50 or older)
Maximum contributions per employee (combined employer and employee contributions)	\$27,000 (\$33,000 if age 50 or older) Totals based on employer making match contributions and assumes employee's compensation is at least \$450,000 (\$550,000, if age 50 or older)	Generally, the lesser of \$57,000 (\$63,500 for employees age 50 or older) or 100% of an employee's compensation. Employer contributions are limited to 25% of total payroll (in addition to employee deferrals)	Generally, the lesser of \$57,000 (\$63,500 for employees age 50 or older) or 100% of an employee's compensation. Employer contributions are limited to 25% of total payroll (in addition to employee deferrals)
Required employer contributions	<ul style="list-style-type: none"> Dollar for dollar match on the first 3% of compensation that an employee defers, OR 2% of compensation for each eligible employee 	None unless plan is top heavy. Match or discretionary contributions are optional	<ul style="list-style-type: none"> Dollar for dollar match on the first 3% of compensation that an employee defers and \$0.50 per dollar on the next 2% of compensation that an employee defers, OR 3% of compensation for each eligible employee
Flexible plan options	No	Yes (e.g. loans, vesting schedules, larger employer contributions for owners through optional plan provisions)	Same options as Basic 401(k) but with limitations involving certain vesting requirements
Additional discretionary employer contributions	No	Yes	Yes
IRS Form 5500 required	No	Yes	Yes

PLANS THAT ARE FUNDED BY EMPLOYER CONTRIBUTIONS ONLY

Features	SEP	Basic Profit Sharing	New Comparability Profit Sharing	Defined Benefit
Advantages	Low set-up and administrative costs, simple to maintain	Potentially larger contributions for owners and offers more plan features than a SEP	Proportionately larger contributions for owners than other employees (based on owner's age and compensation relative to other employees)	Proportionately larger contributions for older owners than other types of plans
Disadvantages	Contributions for eligible employees are required when contributions are made for the owner	More complex and higher administration costs than a SEP	More complex and higher administration costs than a SEP or Basic Profit Sharing	More complex and higher administration costs compared to other plans as the services of an actuary are required
Employer eligibility	Any type of business	Any type of business	Any type of business	Any type of business
Employee eligibility requirements (Maximum limits)	Any employee at least age 21, who performed services in 3 of the preceding 5 years and will earn at least \$600 in the current year	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period
Maximum employer contribution	The lesser of \$57,000 or 25% of an employee's compensation	Generally, the lesser of \$57,000 or 100% of an employee's compensation. However, overall total plan contributions are limited to 25% of total payroll	Generally, the lesser of \$57,000 or 100% of an employee's compensation. However, overall total plan contributions are limited to 25% of total payroll	Generally, contributions are limited to those that will fund a benefit that does not exceed the lesser of \$230,000 or 100% of an employee's average compensation over the employee's 3 highest paid consecutive years
Required employer contributions	None, all contributions are at the employer's discretion	None, all contributions are at the employer's discretion (however, a contribution should be made in at least 1 of every 3 years)	None, all contributions are at the employer's discretion (however, a contribution should be made in at least 1 of every 3 years)	Yes, based on the funding requirements calculated by the actuary
Flexible plan design features for owners	No (however, contributions for owners may be larger if plan is integrated with social security)	Yes	Yes	Yes
Vesting schedule	All employer contributions are 100% vested	Vesting schedules may apply to employer contributions (e.g. Gradual vesting over 2-6 years or 100% after 3 years)	Vesting schedules may apply to employer contributions (e.g. Gradual vesting over 2-6 years or 100% after 3 years)	Vesting schedules may apply to employer contributions (e.g. Gradual vesting over 2-6 years or 100% after 3 years)
IRS Form 5500 required	No	Yes	Yes	Yes

This was prepared from sources believed to be reliable but is not guaranteed as to accuracy and is not a complete summary or statement of all available data. Neither Janney Montgomery Scott LLC nor its Financial Advisors provide tax, legal, or accounting advice. Please consult with the appropriate professional for advice concerning your particular circumstances.