

Comparison of Tax-Favored Retirement Plans

	SEP	SIMPLE IRA	SIMPLE 401(k)
Description	Simplified Employee Pension Plan. Employer contributions to IRAs for eligible employees.	Employee and employer contributions to Individual Retirement Accounts.	Simplified version of traditional 401(k) with no discrimination testing or top heavy rules.
Who may establish the plan?	Corporations, sole proprietorships and partnerships	Any employer with fewer than 100 employees earning at least \$5,000 in preceding year.	Nongovernmental organizations with 100 or fewer employees earning at least \$5,000 in preceding year.
Eligibility permitted	Employees age 21 who have worked 3 of the last 5 years and earn at least \$450.*	Employees earning at least \$5,000 in any 2 preceding years and expected to earn \$5,000 in current year.	Employees age 21 who have completed 1 year of service.
Maximum contribution	Employer deductions may not exceed 25% of payroll. Allocation to each participant limited to 25% or \$41,000.*	<p>Employees may defer up to 100% of income for a \$9,000 contribution (increased annually in \$1,000 increments to \$10,000 in 2005).[*] Employers must either match contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 years); <i>OR</i> contribute 2% of each eligible employee's compensation.[*]</p> <p>Special "catch up" provisions allow contributions for participants over age 50. In 2004, there is a \$1,500 catch up provision. Increased annually in \$500 increments to \$2,500 in 2006 (indexed annually thereafter; may increase in \$500 increments).</p>	<p>Employee deferral limited to 100% of income or \$9,000. Employers must contribute 2% of each employee's pay or match contributions up to 3% of pay up to \$205,000.</p> <p>Special "catch up" provisions allow contributions for participants over age 50. In 2004, there is a \$1,500 catch up provision. Increased annually in \$500 increments to \$2,500 in 2006 (indexed annually thereafter; may increase in \$500 increments).</p>
Social Security integration	Yes	No	No
Vesting requirements	100% vested immediately.	100% vested immediately.	100% vested immediately.
Forfeitures	N/A	N/A	N/A
Distributions	Available at any time but subject to penalty before age 59½. Must begin distributions by April 1 of year after reaching age 70½.	Available at any time but subject to penalty before age 59½ or within 2 years of deposit. Must begin distributions by April 1 of year after reaching age 70½.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.
Reporting and disclosure	If Form 5305-SEP is used to establish the plan, each participant should receive a copy.	Distribute Summary Plan Descriptions; prepare IRS participant account statements.	Full ERISA reporting. Form 5500 must be filed annually.
Loans	Not permitted.	Not permitted.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.

403(b)	Money Purchase	Profit Sharing/Progress Sharing	401(k)
Tax-deferred annuity plans, usually funded by salary deferral.	Employer must contribute a specified percentage of each employee's compensation each year.	Defined contribution plan with discretionary employer contributions.	Profit-sharing plan with added "Cash or Deferred Arrangement" permitting employee deferrals.
Public educational and 501(c)(3) organizations	Corporations, sole proprietorships, partnerships and nonprofits	Corporations, sole proprietorships, partnerships and nonprofits	Any nongovernmental organization.
Any employee	Employees age 21 who have completed 1 year of service (2 years if 100% immediate vesting).	Employees age 21 who have completed 1 year of service (2 years if 100% immediate vesting).	Employees age 21 who have completed 1 year of service.
<p>Employees may defer up to 100% of pay up to \$13,000.* This is increased \$1,000 annually to \$15,000 in 2006.</p> <p>Special "catch up" provisions allow larger contributions for participants over age 50. In 2004, there is a \$3,000 catch up. Increases \$1,000 annually to \$5,000 in 2006 (indexed annually thereafter; may increase in \$500 increments).</p>	100% of pay or \$41,000 (indexed annually thereafter; may increase in \$1,000 increments).* Employer deductions may not exceed 25% of payroll.	Employer deductions may not exceed 25% of payroll. Allocation to each participant limited to 100% of pay or \$41,000 (indexed annually thereafter; may increase in \$1,000 increments).*	<p>Employer deductions may not exceed 25% of payroll. Allocation to each participant limited to 100% of pay or \$41,000 (indexed annually; may be increased in \$1,000 increments).*</p> <p>Employee deferrals limited to \$13,000* per year (increased \$1,000 annually to \$15,000 in 2006).</p> <p>A contribution equal to a salary deferral up to specified percentages may be made at the employer's discretion.</p> <p>In 2004, there is a \$3,000 catch up for employees over age 50. Increases \$1,000 annually to \$5,000 in 2006 (indexed annually thereafter; may increase in \$500 increments).</p>
No	Yes	Yes	Yes, for profit-sharing contributions.
Employee contributions vested 100% immediately. Employer matching contributions may have a 3-year 100% vesting or 6-year graded vesting. 5-year 100% vesting or 7-year graded vesting may apply for other employer contributions.	5-year 100% vesting or 7-year graded vesting permitted for employer contributions. If plan is top heavy, 3-year 100% vesting or 6-year graded vesting.	5-year 100% vesting or 7-year graded vesting permitted for employer contributions. If plan is top heavy, 3-year 100% vesting or 6-year graded vesting.	Employee contributions vested 100% immediately. Employer matching contributions may have a 3-year 100% vesting or 6-year graded vesting. 5-year 100% vesting or 7-year graded vesting may apply for other employer contributions.
May be reallocated to remaining participants or used to reduce employer contributions.	May be reallocated to remaining participants or used to reduce employer contributions.	May be reallocated to remaining participants or used to reduce employer contributions.	May be reallocated to remaining participants or used to reduce employer contributions.
Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.
May require full ERISA reporting depending on the level of employer's involvement.	Full ERISA reporting. Form 5500 must be filed annually.	Full ERISA reporting. Form 5500 must be filed annually.	Full ERISA reporting. Form 5500 must be filed annually.
May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.

Safe Harbor 401(k)	Cross-Tested	457 Plan	Defined Benefit
Simplified version of traditional 401(k) with no discrimination testing.	Defined contribution plan that tests for discrimination of benefits rather than contributions. Benefits older/higher-paid employees.	Nonqualified deferred compensation plans for employees of state and local governments and 501(c)(3) organizations*.	A pension plan providing a specified monthly benefit for eligible retirees.
Corporations, sole proprietorships, partnerships and nonprofits	Corporations, sole proprietorships, partnerships and nonprofits	Governments and 501(c)(3) organizations	Corporations, sole proprietorships, partnerships and nonprofits
Employees age 21 who have completed 1 year of service.	Employees age 21 who have completed 1 year of service (2 years if 100% immediate vesting not applicable to 401(k) plans).	All employees	Employees age 21 who have completed 1 year of service (2 years if 100% immediate vesting).
Employee deferrals limited to \$13,000 per year (increased annually in \$1,000 increments to \$15,000 in 2006).* Employers must contribute 3% of each employee's pay or match contributions dollar-for-dollar up to 3% of covered compensation plus 50 cents on the dollar up to the next 2% of covered compensation. Allocations to each participant limited to 100% of pay or \$41,000 (indexed annually in \$1,000 increments).* In 2004, there is a \$3,000 catch up for employees over age 50. Increases \$1,000 annually to \$5,000 in 2006 (indexed annually thereafter; may increase in \$500 increments).	Employer deductions may not exceed 25% of payroll. Allocation to each employee limited to 100% of pay or \$41,000 (indexed annually thereafter; may increase in \$1,000 increments).* If applicable, a contribution equal to a salary deferral up to specified percentages may be made at the employer's discretion.	Employee deferrals generally limited to \$13,000 per year (increased annually in \$1,000 increments to \$15,000 in 2006).* 2004 has a \$3,000 catch up for participants over age 50. Increases \$1,000 annually to \$5,000 in 2006 (indexed annually thereafter; may increase \$500 per year). Special catch up allowed in final 3 years before retirement - may double contributions.	Employer may deduct the amount necessary to fund a monthly benefit not to exceed the lesser of 100% of pay or \$165,000* (indexed annually thereafter; may increase in \$5,000 increments) at normal retirement age.
Yes, for additional profit-sharing contributions.	Yes	No	Yes
Safe Harbor contributions are vested 100% immediately. Additional employer matching contributions may have a 3-year 100% vesting or 6-year graded vesting. 5-year 100% vesting or 7-year graded vesting available for additional employer contributions.	Employer matching contributions may have a 3-year 100% vesting or 6-year graded vesting. 5-year 100% vesting or 7-year graded vesting permitted for other employer contributions. If plan is top heavy, 3-year 100% vesting or 6-year graded vesting.	100% vested immediately.	5-year 100% vesting or 7-year graded vesting permitted. If plan is top heavy, 3-year 100% vesting or 6-year graded vesting.
May be reallocated to remaining participants or used to reduce employer contributions.	May be reallocated to remaining participants or used to reduce employer contributions.	N/A	N/A Funds are not allocated to individual accounts.
Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	Available at death, disability, separation from service, or financial hardship. Possible penalties for early distribution.	May be made for death, disability, or separation from service. Possible penalties for early distribution.
Full ERISA reporting. Form 5500 must be filed annually.	Full ERISA reporting. Form 5500 must be filed annually.	N/A	Full ERISA reporting. Form 5500 must be filed annually, plus actuarial report and Form PBGC-1.
May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.	May not exceed the lesser of \$50,000 or 50% of participant's vested accrued benefit. Must be repaid within 5 years, installments at least quarterly.