SEP IRA vs SIMPLE IRA

2018 Comparison Chart

Feature	SEP IRA	SIMPLE IRA
Contribution limits – employer	Employer's discretion up to 25% of employee's compensation with a maximum of $55,000. Compensation is limited to $275,000 (2018 limit). Contributions may continue beyond 70½.	Employer must make dollar-for-dollar matching contributions up to 3% of employee compensation or contribute 2% of total eligible employee compensation. Compensation is limited to $275,000 (2018 limit) for 2% non-elective contribution.
Contribution limits – employee	Employees can contribute up to $5,500 (2018) for their own IRA to the SEP account in addition to the employer's SEP contribution. A $1,000 (2018) IRA "catch-up" contribution is available for employees over age 50.	Employees can defer up to $12,500 per year, 2018 limit, (subject to cost-of-living adjustments) or 100% of compensation, whichever is less. Employees who are 50 or older can defer an additional $3,000 (2018).
Establishment deadline	Employer tax filing deadline, including extensions	October 1 of current year. Can be later if business is established after October 1.
Deadline for employer contribution	Employer tax filing deadline, including extensions	Employer tax filing deadline, including extensions
Eligibility	May be less, but cannot exclude those who exceed: • 21 years old • Employed 3 of last 5 years • $600 annual income Requires 100% participation of eligible employees	Employees who receive $5,000 in compensation in any two preceding years and are expected to receive $5,000 in the current year are eligible. These requirements may be less restrictive.
Vesting	100% Vested immediately	100% Vested immediately
Loan provisions	None	No
Testing	No testing	No testing
Distributions	10% premature distribution penalties may apply. Must begin at age 70½. In-service distributions allowed.	10% premature distribution penalties may apply; penalty is increased to 25% during first 2 years. Must begin distributions at age 70½. In-service distributions allowed.

2008-CS (11/17)