EMPLOYER RETIREMENT PLAN OPTIONS MATRIX

	IRA (Traditional and Roth)	SIMPLE IRA	SEP IRA	Profit Sharing Plan
What It Is	An individual retirement account that allows pre-tax (traditional IRA) or after-tax contributions (non-deductible IRA or Roth IRA) to grow and compound over time on either a tax-free (Roth IRA) or tax-deferred basis (traditional or non-deductible IRA). Can be set up as a payroll deduction IRA.	An employer-sponsored salary reduction plan which requires little administrative paperwork and is fairly inexpensive to establish and maintain.	A flexible, low-cost retirement program for self-employed individuals and small-business owners. May be integrated with Social Security to provide a greater benefit for those earning above the Social Security Taxable Wage Base ($142,800 in 2021).	A retirement plan in which the contributions are made solely by the employer. Contributions are generally tax-deductible and investment earnings grow tax-deferred until withdrawn. Allows for a varied choice of allocating contributions to eligible participants provided annual compliance testing requirements are satisfied.
Who It's For	**Traditional IRA:** Anyone under 72 with earned income who wants to save for retirement. **Non-deductible IRA:** Anyone under 72 with earned income who wants to save for retirement but does not qualify for a traditional IRA or a Roth IRA. **Roth IRA:** Anyone who has earned income, whose adjusted gross income does not exceed the annually adjusted phase-out limit, and who would rather enjoy tax-free withdrawals in the future than potential tax savings today.	Any employer with 100 or fewer employees that does not currently maintain another retirement plan and targets savings between $6,000-$25,000 per year.	A self-employed individual or an employer with few employees who is interested in a low-cost solution that affords savings of up to $58,000 (2021).	Any business that has a stable cash flow and wants to offer retention incentives for employees on a discretionary basis.
Who Contributes to the Plan	Account owner. In case of a payroll deduction IRA, employer facilitates remittance of contribution through payroll deduction.	Eligible participants may choose to defer a portion of their salary into the plan; employer provides either a matching contribution to active participants or a nonelective contribution to all eligible employees.	Employer only.	Employer only, unless plan accepts 401(k) deferrals.
Maximum Annual Contribution	**Traditional and Roth:** $6,000 (2021); catch-up contribution of $1,000 per year if age 50 or older.	**Employee:** $13,500 in tax year 2021 ($16,500 if age 50 or older). **Employer:** Either a 100% match of the first 3% of compensation to contributing participants or contribute 2% of compensation to all eligible employees.	Up to 25% of compensation, but no more than $58,000 (2021).	The lesser of 100% of compensation or $58,000 (2020) per participant. Employer may deduct amounts not to exceed 25% of total eligible plan compensation.
Funding Flexibility	No mandatory funding for employer. Employee (individual) decides how much to contribute at any time.	Employee can decide how much to contribute. Employer must make matching contributions (match may be reduced to as low as 1% in any 2 out of 5 years); or contribute 2% of compensation to all eligible employees.	Employer decides on a year-to-year basis whether to make a contribution.	Employer discretionary funding is determined on a year-to-year basis and is generally not mandatory.
Tax-Deferred Deposits & Earnings	Yes, tax-deferred for traditional contributions and tax-free growth for Roth contributions.	Yes	Yes	Yes
Withdrawals	Withdrawals are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply. Roth IRA withdrawals are tax-free if taken after age 59½; may be subject to penalty if held for less than 5 years prior to distribution. Some exceptions apply.	Withdrawals are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Penalty increases to 25% if a withdrawal is made during the first two years of participation. Some exceptions apply.	Withdrawals are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply.	Withdrawals are permitted following an event specified in the plan document (e.g., retirement, termination, hardship, in-service distribution) and are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply.
Annual Reporting Requirements	No, unless a non-deductible IRA contribution is made.	No	No	Yes, annual reporting to the IRS and Department of Labor (DOL) is usually required.
Vesting Required	Not applicable.	Not applicable.	Not applicable.	Contributions may be subject to the vesting schedule specified in the plan document. Six-year graded vesting schedule is widely utilized (0%, 20%, 40%, 60%, 80%, 100%). Service prior to the effective date of the plan may be excluded.
Loans Permitted	No	No	No	Yes
ERISA Protection of Assets	No, although bankruptcy code and state law may provide some protection.	No, although bankruptcy code and state law provide some protection.	No, although bankruptcy code and state law provide some protection.	Yes, for plans with at least one non-owner employee. Or, in case of a corporation, for plans that cover at least two unrelated shareholders.
Minimum Employee Coverage Requirement	There is no requirement. May be made available to any employee.	Must be offered to all employees who have earned at least $5,000 in any prior 2 years, and are reasonably expected to earn at least $5,000 in the current year.	Must be offered to all employees who are at least 21 years of age, worked for the employer in 3 of the last 5 years and had compensation of at least $650.	Must be offered to all employees who are at least 21 years of age, who worked for the employer for at least 1,000 hours in a previous twelve months. Two years of service with a 100% vesting requirement may be utilized. Less stringent requirements may be chosen. Plan may restrict participation of certain classes of employees provided the required annual non-discrimination testing is satisfied.
Benefits	Easy to set up and maintain; low fees and minimal paperwork; ability to gain tax advantages; contribution flexibility; enables and encourages employees' participation in funding their future retirement; no employer funding requirement.	Easy to set up and maintain; low fees and minimal paperwork; ability to gain tax advantages; contribution flexibility; enables and encourages employees' participation in funding their future retirement; effective tool for employers to retain and attract employees; offers some flexibility in funding.	Easy to set up and maintain; low fees and minimal paperwork; ability to gain tax advantages; contribution flexibility; effective tool for employers to retain and attract employees; no mandatory funding requirement.	Tax-deductible contributions and tax-deferred earnings growth; ability to choose from a broad array of investment choices; contributions are not mandatory; employee retention and recruiting tool. Generally more efficient than a SIMPLE IRA or a SEP; improved benefit cost management.

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EMPLOYER RETIREMENT PLAN OPTIONS MATRIX

	401(k) Profit Sharing Plan	403 (b)	Defined Benefit, Traditional or Cash Balance Plans
What It Is	Most widely utilized employer-sponsored retirement savings plan that allows employees to contribute pre-tax earnings and defer taxes until withdrawal [traditional 401(k)], or contribute after-tax earnings and pay no taxes on withdrawals [Roth 401(k)]. May include discretionary funding component funded by the employer.	A tax-sheltered annuity or tax-sheltered account (TSA) that allows employees of educational and certain non-profit organizations to contribute to a retirement program on a salary reduction, either pre-tax [traditional 403(b)] or after-tax [Roth 403(b)]. Employer may at times make discretionary contributions to eligible participants.	An employer-sponsored retirement plan with benefits determined by a formula that indicates the benefit an employee will receive upon retirement, expressed either as a monthly annuity (traditional defined benefit) or a hypothetical lump sum (cash balance).
Who It's For	Any business that has a stable cash flow and wants to offer retention incentives for employees. Ability to make Roth 401(k) contributions is not restricted by the AGI limits, unlike the Roth IRA.	Employees of certain non-profit organizations.	Self-employed individuals or small-business owners who can contribute at least $70,000 plus employee funding costs annually for a period of at least 5 years.
Who Contributes to the Plan	Eligible participants may choose to defer a portion of their salary into the plan; employer may provide a matching or discretionary contribution to eligible employees.	Eligible participants may choose to defer a portion of their salary into the plan; employer may provide a matching or discretionary contribution to eligible employees.	Employer
Maximum Annual Contribution	**Employee:** The lesser of 100% of eligible compensation or $19,500 in tax year 2021 ($26,000 if age 50 or over). **Employer:** Can make a matching contribution and/or discretionary profit sharing funding. A limited employer contribution to rank-and-file employees is generally required to enable highly compensated employees to make a maximum salary deferral. In aggregate, employee salary deferrals and employer contributions may not exceed 100% of compensation or $58,000 ($64,500 if age 50 or older) (2021) per participant. Employer may deduct amounts not to exceed 25% of total eligible plan compensation.	Employee may defer the lesser of $19,500 or 100% of includable compensation in tax year 2021 ($26,000 for participants age 50 or older). In 2021, certain employees with 15 or more years of service can contribute up to an additional $3,000. Special rules apply. Employer can make a matching contribution and/or discretionary contribution. Aggregate employee salary deferrals and employer contributions may not exceed 100% of participant compensation or $58,000 ($64,500 if age 50 or older) (2021).	Calculated by actuary as the amount required to fund an annual retirement benefit of up to $230,000 (2021).
Funding Flexibility	Employee can decide how much to contribute on an annual basis, within limits. Employer discretionary funding is determined on a year-to-year basis and is not mandatory. Employer with eligible rank-and-fi employees frequently commits to a limited level of funding to maximize deferrals of the highly compensated employees.	Employee can decide how much to contribute on an annual basis. Employer discretionary funding is determined on a year-to-year basis and is not mandatory.	Limited flexibility. Employer is generally required to make contribution as determined by terms of the plan.
Tax-Deferred Deposits & Earnings	Yes, tax-deferred for traditional 401(k) deferrals and employer contributions; tax-free growth for Roth 401(k) contributions.	Yes, tax-deferred for traditional 403(b) deferrals and employer contributions; tax-free growth for Roth 403(b) contributions.	Yes
Withdrawals	Withdrawals are permitted following an event specified in the plan document (e.g., retirement, termination, hardship, in-service distribution) and are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply.	Withdrawals are permitted following an event specified in the plan document (e.g., retirement, termination, hardship, in-service distribution) and are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply.	Withdrawals are permitted following an event specified in the plan document (e.g., retirement, termination, hardship, in-service distribution) and are subject to income tax; if taken prior to age 59½, an additional 10% penalty may apply. Some exceptions apply.
Annual Reporting Requirements	Yes, annual reporting to the IRS & Department of Labor (DOL) usually required.	Yes, annual reporting to the IRS and Department of Labor (DOL) required for plans subject to ERISA.	Yes, annual reporting to the IRS and Department of Labor (DOL) is usually required. Certain plans are subject to PBGC coverage.
Vesting Required	Salary deferrals and certain employer contributions are immediately vested; discretionary profit sharing funding and matching contributions may be subject to the vesting schedule specified in the plan document. Six-year graded vesting schedule is widely utilized (0%, 20%, 40%, 60%, 80%, 100%). Service prior to the effective date of the plan may be excluded.	Generally, no. Employer contributions such as match or non-elective contribution may be subject to a vesting schedule. Six-year graded vesting schedule is widely utilized (0%, 20%, 40%, 60%, 80%, 100%). Service prior to the effective date of the plan may be excluded.	Contributions may be subject to the vesting schedule specified in the plan document. Six-year graded vesting schedule is widely utilized (0%, 20%, 40%, 60%, 80%, 100%). A three-year cliff schedule is required for cash balance plans (0%, 0%, 100%). Service prior to the effective date of the plan may be excluded.
Loans Permitted	Yes	Yes	Yes
ERISA Protection of Assets	Yes, for plans with at least one non-highly compensated employee. Or, in case of a corporation, for plans that cover at least two unrelated shareholders.	Provides benefits similar to that of a 401(k) plan for employees of certain non-profit organizations.	Yes, for plans with at least one non-highly compensated employee. Or, in case of a corporation, for plans that cover at least two unrelated shareholders.
Minimum Employee Coverage Requirement	Must be offered to all employees who are at least 21 years of age, who worked for the employer for at least 1,000 hours in a previous twelve months. Two years of service with a 100% vesting requirement may be utilized for employer contribution sources. Plan may restrict participation of certain classes of employees provided the required annual non-discrimination testing is satisfied.	Matching or employer non-elective contributions must be offered to all employees who are at least 21 years of age, who worked for the employer for at least 1,000 hours in a previous twelve months. Two years of service with a 100% vesting requirement may be utilized. Less stringent requirements may be chosen. Plan may restrict participation of certain classes of employees provided the required annual non-discrimination testing is satisfied.	Must be offered to all employees who are at least 21 years of age, who worked for the employer for at least 1,000 hours in a previous twelve months. Two years of service with a 100% vesting requirement may be utilized. Less stringent requirements may be chosen. Plan may restrict participation of certain classes of employees provided the required annual non- discrimination testing is satisfied.
Benefits	Employee recruiting and retention with retirement planning and the power of compounding interest; plan portability and flexibility become valuable employee benefit availability of many investment choices; ability to create a multi-level benefit system. May permit a more favorable allocation of total funding to owners than SIMPLE IRA, SEP IRA, or a profit sharing plan without a 401(k) feature.	Easy to set up and maintain; ability to gain tax advantages; contribution flexibility; enables and encourages employees' participation in funding their future retirement; no employer funding requirement.	Allows contributions above the limits of all other retirement plans; allows large amounts to accumulate more quickly than other plans; offers flexible investment choices; provides possible maximum tax deductibility to the business; can be paired with a 401(k) profit sharing plan for maximum flexibility, efficiency, and higher contribution amounts.

https://www.iisfinancial.com/resource-center/retirement/self-employed-retirement-plans

EMPLOYER RETIREMENT PLAN OPTIONS MATRIX

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Withdrawals of taxable amounts are subject to ordinary income tax and if taken prior to age 59 1/2, a 10% early withdrawal tax additional may apply. Withdrawals from SIMPLE IRAs are subject to ordinary income tax, and if taken within 2 years from the date of first contribution, a 25% early withdrawal tax may apply. Please consult your personal independent advisors for answers to your specific questions.

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About Individual Retirement Accounts (IRAs)

Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney.

Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.

Converting from a traditional IRA to a Roth IRA is a taxable event.

A Roth IRA offers tax free withdrawals on taxable contributions.

To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

[Self-Employed Retirement Plan Maximum Contributions Calculator]

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