2020 PLAN COMPARISON

Whether you're an employer who wants to help your employees work toward a secure retirement, or someone who wants to plan for your own future, this handy guide can help you narrow the focus and zero in on a retirement plan that could work for you in 2020.

2020	Traditional IRA	Roth IRA	SEP	Simple IRA
Plan Features	Contributions may be tax deductible (if individual falls within income guidelines); can be used in conjunction with any retirement plan	Tax-free growth and distributions (provided certain conditions are met); nondeductible contributions may be made even after age 70½; can be used in conjunction with any retirement plan	Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost	Employee-funded; easy to establish and maintain; no ADP/ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan
Who May Establish	Age limit: None Income limit: None	Age limit: None Income limit: $139,000 for single and $206,000 for joint	Sole proprietors, partnerships, corporations, nonprofits, government entities	Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities
Establishment Deadline	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	October 1
Contribution Deadline	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	Annual contributions of up to $6,000 or 100% of compensation (whichever is less); catch-up contributions of $1,000 if age is 50 or older; non-employed spouses may also contribute up to $6,000 per year if conditions are met ($7,000 if over 50)	Annual contributions of up to $6,000 or 100% of compensation (whichever is less); catch-up contributions of $1,000 if age is 50 or older; non-employed spousesmay also contribute up to $6,000 per year if conditions are met ($7,000 if over 50)	25% of compensation up to $57,000; approximately 20% for sole proprietors (due to self-employment deduction)	Employees can defer up to $13,500; catch-up contributions of $3,000 if age 50 or older; employer must match dollar for dollar up to 3% of compensation (can be lowered to 1% for two of every five years) OR 2% of compensation as a non-elective contribution
Who Contributes	Individual	Individual	Employer	Employee and Employer
Maximum Employee Eligibility Requirements	N/A	N/A	Age 21 or older, worked three of last five years and earned at least $600 in each of those years; may exclude union employees and nonresident aliens	Earned at least $5,000 during any two prior years and is expected to earn at least $5,000 in current year; may exclude union employees and nonresident aliens; no age limit restriction
Vesting	100%	100%	100%	100% for both employee and employer contributions
Distributions	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72;* exceptions to 10% penalty may apply; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.	Tax-free distributions allowed provided certain conditions are met; no minimum distributions required at age 72	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72; exceptions to 10% penalty may apply; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions taken prior to age 59½ may be subject to 10% penalty tax, in addition to ordinary income tax (25% penalty applies if distribution is within two years of participation); minimum distributions required at 72; exceptions to 10% penalty may apply ; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.
Loan Features	Not available	Not available	Not available	Not available
Plan Administration	None	None	None	None

* The change to age 72 will apply to anyone who turns 70½ after 12/31/2019. Those who turned 70½ prior to 1/1/2020 will need to take required minimum distributions under the old rules.

(Continued)

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2020	Profit Sharing/ Money Purchase	403(b)(7)*/ Roth 403(b)(7)	401(k)/Roth 401(k)	Safe Harbor 401(k)/ Roth Safe Harbor 401(k)	Individual K/ Roth Individual K
Plan Features	Employer-funded; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Primarily employee-funded; easy to establish and maintain; pre-tax contributions may reduce employee's current taxable income	Employee-funded with possible employer contribution; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Employee- and employer-funded; allows employers to maximize contributions made by highly compensated employees; mandatory employer contributions; no ADP/ACP discrimination testing	Employee- and employer-funded; allows control over when the money will be withdrawn; may allow for loans; designed specifically for owner-only businesses
Who May Establish	Sole proprietors, partnerships, corporations, nonprofits, government entities	Public schools and 501(c)(3) organizations	Sole proprietors, partnerships, corporations, nonprofits	Sole proprietors, partnerships, corporations, nonprofits	Employer-only businesses including sole proprietors, partnerships, corporations, and nonprofits (may employ spouse)
Establishment Deadline	Tax filing deadline plus extensions	Plan year-end, usually December 31 for calendar-year plans	Tax filing deadline plus extensions	October 1	Tax filing deadline plus extensions
Contribution Deadline	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	25% of compensation up to $57,000; approximately 20% for sole proprietors (due to self-employment deduction); PSP contributions are discretionary and MPP contributions are required by percentage specified in plan document	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation; total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution); long-tenured catch-up contribution for employees of 15 years or more with same employer	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution)	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer typically contributes dollar for dollar on the first 3% and $.50 on the dollar for the next 2%; other employer contribution options are available; additional non-safe harbor employer contributions are allowed	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution)
Who Contributes	Employer	Employee and Employer	Employee and Employer	Employee and Employer	Individual
Maximum Employee Eligibility Requirements	Age 21 or older, worked one year (or two years if 100% immediate vesting); may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	Generally, all employees	Age 21 or older, worked one year; may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	Age 21 or older, worked one year; may exclude union employees and nonresident aliens; may not exclude employees due to minimum hours or last-day rules	N/A
Vesting	Vesting schedule allowed	100%	100% for employee contributions; vesting schedule allowed for employer contributions	100% for both employee and employer contributions; vesting schedule allowed for any employer contributions made in addition to mandatory safe harbor contributions	Vesting schedule allowed but generally not used
Distributions	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of 59½, separation from service or plan termination, or hardship; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.
Loan Features	Allowed	Allowed	Allowed	Allowed	Allowed
Plan Administration	IRS Form 5500 and other ERISA requirements***	IRS Form 5500 and other ERISA requirements if subject to ERISA***	IRS Form 5500 and other ERISA requirements***	IRS Form 5500 and other ERISA requirements***	IRS 5500 EZ when plan assets reach $250,000

* Employer may make matching or discretionary contributions within an ERISA 403(b); ERISA 403(b)s are subjected to ERISA requirements.

** The change to age 72 will apply to anyone who turns 70½ after 12/31/2019. Those who turned 70½ prior to 1/1/2020 will need to take required minimum distributions under the old rules.

*** Owner-only plans are not required to file IRS 5500 until assets reach $250,000 or terminate. LPL Financial does not provide tax advice. Please consult your tax advisor.