



Comparison of Simple and 401(k) Plans Updated for 2023 Plan Limitations

	SIMPLE IRA	Traditional 401(k)	Safe Harbor 401(k)
Compliance:			
Compliance requirements	No Form 5500; Trustee summary report required	Form 5500 and SAR required	Form 5500 and SAR required
Compliance costs	Minimal	Varies	Varies
Deadline for depositing employee contributions	As soon as reasonably possible, but never after 7 business days	As soon as reasonably possible, but never after 7 business days	As soon as reasonably possible, but never after 7 business days
Other features:			
Plan Loans	Not available	Available	Available
Creditor Protection	Possibly available	Available	Available
Access to account for in-service withdrawals	Unlimited	None, unless qualifying hardships allowed	None, unless qualifying hardships allowed
Penalty for account distributions in first 2 years of employee participation	25% penalty	Usual pre-age 59 ½ 10% penalty; tax free rollovers to IRAs or other plans allowed	Usual pre-age 59 ½ 10% penalty; tax free rollovers to IRAs or other plans allowed
Possible business owner motivation	Minimize rank and file participation	Maximize rank and file participation	Maximize rank and file participation
Governmental employer eligibility	Yes	No	No
Allowable rollovers into plan	Only from other Simple IRAs	From IRAs, SEP, SIMPLE IRA after two years, and other qualified plans	From IRAs, SEP, SIMPLE IRA after two years, and other qualified plans
Employer tax deduction limit for employer contributions	None	25% of eligible payroll	25% of eligible payroll
Plans investment options	Depends on whether there is a designated financial institution	Designated by employer/trustee	Designated by employer/trustee
Plan fiscal year	Must be calendar	Fiscal years allowed	Fiscal years allowed
Deadline for establishing new plan for current year	October 1	Last day of first plan year	October 1
Deadline for converting existing traditional 401(k) to Simple 401(k)	N/A	July 1, 1997 under 1997 transition rule: thereafter, effective as of next January 1	July 1, 1997 under 1997 transition rule: thereafter, effective as of next January 1

	SIMPLE IRA	Traditional 401(k)	Safe Harbor 401(k)
Maximum size of adopting employer	No more than 100 employees earning at least \$5,000 in preceding year	None	None
Employee Contributions:			
Employee eligible to contribute	Employees who earned more than \$5,000 in any two prior years	Specified by plan document not greater than 1 year.	Specified by plan document not greater than 1 year.
Annual limit to employee salary deferral contributions for 2020	Lesser of \$15,500 or 100% of pay	Lesser of \$22,500 or 100% of pay when combined with employer contributions and forfeitures	Lesser of \$22,500 or 100% of pay when combined with employer contributions and forfeitures
Age 50 or Older in 2020	Lesser of \$19,000 or 100% of pay	Lesser of \$30,000 or 100% of pay when combined with employer contributions and forfeitures	Lesser of \$30,000 or 100% of pay when combined with employer contributions and forfeitures
Employer Contributions:			
Requirement	Mandatory	Discretionary	Mandatory
Matching formula	100% of first 3% of pay: can elect as low as 1% in 2 of every 5 years	Flexible	100% of first 3% of pay and 50% from 3% to 5% of pay
Maximum match	Lesser of 3% of pay or \$15,500	Lesser of \$66,000 or 100% of net pay when combined with 401(k) amount plus catch-up contributions	Lesser of \$66,000 or 100% of net pay when combined with 401(k) amount plus catch-up contributions
Alternative to employer matching	2% of pay contribution for all eligible	Discretionary	3% of pay contribution for all eligible
Vesting	100% vested	Subject to vesting schedule	100% vested for safe harbor contribution
Other contributions:			
Employer profit-sharing contributions	Not allowed	Discretionary, can be integrated with Social Security, age-weighted, cross-tested	Discretionary, can be integrated with Social Security, age-weighted, cross-tested
Maximum combined	\$31,000 (\$15,500 per employee plus \$15,500 maximum match if employee earns \$516,666 or more)	Lesser of \$66,000 or 100% of compensation depending on plan design and compensation plus catch-up contributions	Lesser of \$66,000 or 100% of compensation depending on plan design and compensation plus catch-up contributions
Concurrent plans	Not allowed	Can combine with money purchase, defined benefit, etc.	Can combine with money purchase, defined benefit, etc.
Testing: 401(k) anti-discrimination testing	Not required	Required	Not required
Top-heavy testing	Not required	Required; if top-heavy mandatory 3% contribution	Not required if safe harbor contributions only