

SEP vs. SIMPLE vs. 401(k)

The 401(k) Profit Sharing Plan is a cost-effective way for both self-employed individuals and small business owners to help prepare for a financially secure retirement. So why do owner-only businesses remain loyal to the SEP IRA and small business owners to the SIMPLE IRA plan design?

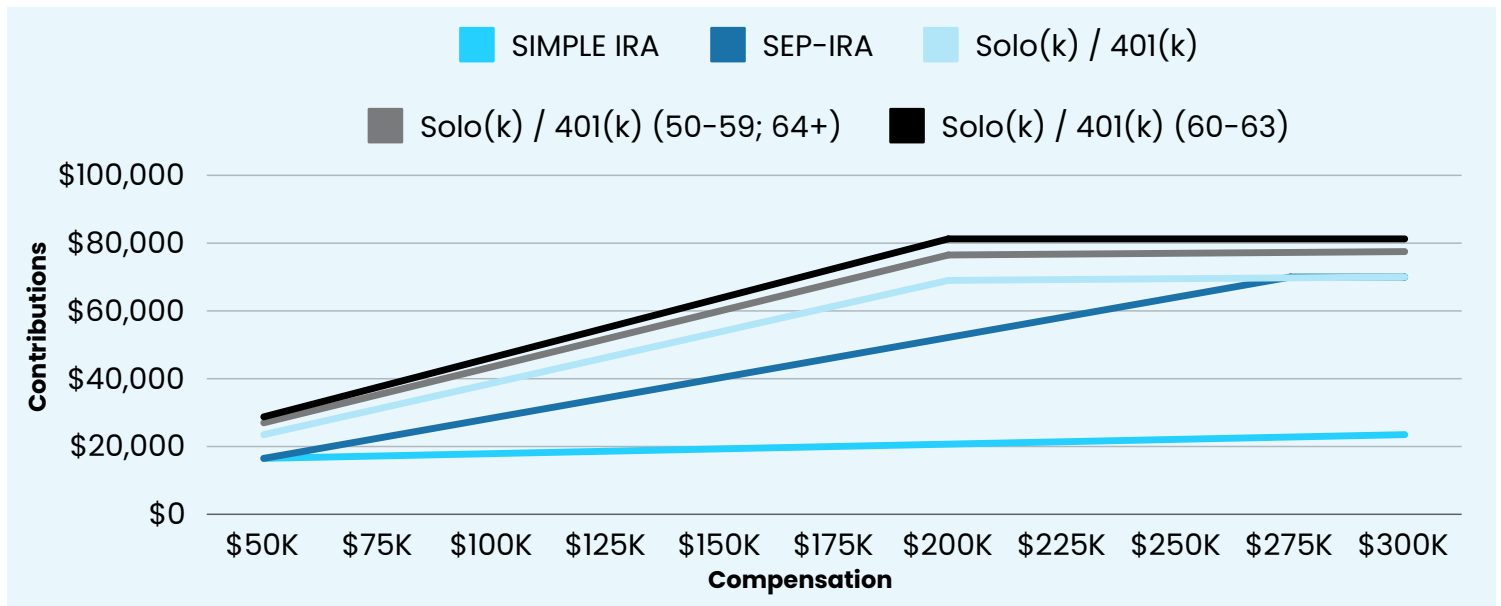
Let's compare...

FEATURE	SEP-IRA	SOLO 401(k)	SIMPLE IRA	401(k)
Maximum Annual Contribution	\$70,000	\$70,000 \$77,500 if age 50-59; 64+ \$81,250 if age 60-63	\$23,500 \$27,000 if age 50-59; 64+ \$28,750 if age 60-63	\$70,000 \$77,500 if age 50-59; 64+ \$81,250 if age 60-63
Age 50+ Catch-Up Contribution Limit	Not Applicable	\$7,500 if age 50-59; 64+ \$11,250 if age 60-63	\$3,500 if age 50-59; 64+ \$5,250 if age 60-63	\$7,500 if age 50-59; 64+ \$11,250 if age 60-63
"Employee Elective Deferral" Amount	Not Applicable	\$23,500 \$31,000 if age 50-59, 64+ \$34,750 if age 60-63	\$16,500 \$20,000 if age 50-59; 64+ \$21,750 if age 60-63	\$23,500 \$31,000 if age 50-59, 64+ \$34,750 if age 60-63
Roth Contributions	Not Applicable	Yes	Yes	Yes
Plan Loans Allowed	No	Yes	No	Yes

*2025 Limits

Now, Let's take it a step further...

The graph below illustrates maximum contributions to the three retirement plan options by income level. As you can see, at every income level, the Solo 401(k) and 401(k) Profit Sharing Plans allow business owners to contribute more towards retirement than the two other retirement plans.



As you can see, Solo(k)s and traditional 401(k)s not only offer higher contribution limits, but also offer more flexibility in design to manage business costs, taxes, and enable penalty-free access to funds via a loan if an emergency arises. Contact us today to discuss which plan design may best suit the needs of your business owner clients!

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