IIS FINANCIAL SERVICES

*Insurance - Investments - Retirement Planning*

# SIMPLE IRA vs. 401(k)

For small companies a SIMPLE IRA can make sense as a retirement savings option for both the business owner and their employees. But as the company grows, a SIMPLE IRA might no longer be a fitting solution.

By understanding the key differences between the 2 plans, you can quickly identify if now is the right time to convert to a 401(k) plan.

## Key Differences - 401(k) plans allow for:

**Higher Contributions**

Ability for owners and employees to contribute more.


**Higher Tax Deductions**

Ability for greater personal and corporate deductions.

**More Plan Design Options**

Flexibility to meet both company and employee needs.

**Profit Sharing**

Ability to add Profit Sharing.

| | SIMPLE IRA | 401(k) |
|---|---|---|
| Number of employees | Maximum of 100 | No limit |
| Who can contribute | Employer and employee | Employer and employee |
| Employee contribution limit | **$15,500*** | **$22,500*** |
| (50+) Catch up contribution limit | **$3,500*** | **$7,500*** |
| Employer contributions | Mandatory | Not mandatory |
| Employer contribution vesting | Immediate | Up to 6 years |
| Loans | Not allowed | Permitted |
| Profit sharing | Not allowed | Permitted (up to **$66,000**) |
| Multiple retirement plans | Not allowed | Permitted |
| Plan year-end | Calendar year | Calendar or fiscal year |
| Plan design | Standard | Customized |

* Maximum contribution in **2023**

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