

Small Business Retirement Plans for the 2023 Tax Year

	SEP IRA	SIMPLE IRA	Solo 401(k)
Who can benefit from this plan?	<ul style="list-style-type: none"> Self-employed individuals Owner-only businesses seeking large tax deductions 	<ul style="list-style-type: none"> Self-employed individuals Businesses with 100 or fewer employees that don't offer a current retirement plan 	<ul style="list-style-type: none"> Self-employed individuals Businesses with no common-law employees
Key advantages	<ul style="list-style-type: none"> Low administration cost Easy calculation 	<ul style="list-style-type: none"> Salary reduction plan Little administrative paperwork 	<ul style="list-style-type: none"> Ability to borrow from plan Possibility of larger contributions than with SEP or SIMPLE IRAs
Employee eligibility and minimum coverage requirements	<ul style="list-style-type: none"> Must offer to all employees who are at least 21 years old and have worked for the employer in at least 3 of the past 5 years. 	<ul style="list-style-type: none"> Must offer to all employees who have earned at least \$5,000 in any prior 2 years, and expect to earn at least \$5,000 in the current year. There are no age restrictions 	<ul style="list-style-type: none"> No employees other than business owner and family permitted No age or length of service requirements
Contribution options	<ul style="list-style-type: none"> Employer decides if they make contributions each year. 	<ul style="list-style-type: none"> Employee decides how much to contribute. Employer must match a portion. 	<ul style="list-style-type: none"> Business owner contributes as employer and/or employee.
Contribution limits	<ul style="list-style-type: none"> Up to 25% of each participant's compensation or a maximum of \$66,000, whichever is less. 	<ul style="list-style-type: none"> Employee can contribute up to \$15,500 (\$19,000 if 50+). Employer matches employees' contributions at 100% of the first 3% of compensation. 	<ul style="list-style-type: none"> Can contribute up to \$22,500 (\$30,000 if 50+) as employee PLUS contribute up to 25% of compensation as employer. Total contributions (both employer and employee) can't exceed \$66,000 (\$73,500 if 50+).
Tax status	<ul style="list-style-type: none"> Pre-tax contributions are deductible; Roth contributions are not. 	<ul style="list-style-type: none"> Pre-tax contributions are deductible; Roth contributions are not. 	<ul style="list-style-type: none"> Pre-tax contributions are deductible; Roth contributions are not.
Withdrawals	<ul style="list-style-type: none"> At age 59½ or older, penalty-free withdrawals can be taken at any time, but are subject to current federal income tax. If under age 59½, there is a possible 10% penalty on withdrawals, along with tax. 	<ul style="list-style-type: none"> At age 59½ or older, withdrawals can be taken at any time, but are subject to current federal income tax. If under age 59½, withdrawals are also subject to a 25% penalty if within the first 2 years of participation, and a 10% penalty if after the first 2 years. 	<ul style="list-style-type: none"> Withdrawals are allowed at age 59½ or because of death, separation from service, or hardship. If under 59½, withdrawals (other than Roth contributions) are subject to tax and a 10% penalty.
Loans permitted	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes

