

# Small Business Retirement Plans for the 2023 Tax Year

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