

Salary deferral retirement plan comparison 2021

| PROVISIONS | SIMPLE IRA | SAFE HARBOR 401(k) | TRADITIONAL 401(k) |
|--|--|---|---|
| Eligible Employers | Most, including tax-exempt organizations and government entities. Maximum of 100 employees. May not maintain any other qualified plan in the same year, including Simplified Employee Pension (SEP) IRAs and tax-sheltered annuities (TSAs). | Most, including tax-exempt organizations but excluding government entities. May maintain other qualified plans. | Same as Safe Harbor 401(k) |
| Maximum Number of Employees | 100 or fewer employees who earned \$5,000 or more the prior year | No maximum | No maximum |
| Maximum Employee Eligibility Requirements | Employee must earn \$5,000 in any two prior years and expect to earn \$5,000 in current year. No minimum age requirements. | Must be 21 years old and have completed one year of service (or 1,000 hours). | Same as Safe Harbor 401(k) |
| Catch-up Contributions | Participants who attain age 50 by the end of the calendar year can make an additional \$3,000 catch-up contribution if allowed by the plan. | Participants who attain age 50 by the end of the calendar year can make an additional \$6,500 catch-up contribution if allowed by the plan. | Same as Safe Harbor 401(k) |
| Employee Contributions | Annual maximum is lesser of 100% of compensation or \$13,500. The ability to defer the maximum amount may be affected if a person participates in more than one salary deferral plan. | Annual maximum is lesser of 100% of compensation or \$19,500; assumes safe harbor requirements are satisfied. Participants may be allowed to elect that all or part of this amount be an after-tax Roth contribution. Same as SIMPLE IRA | Annual maximum is lesser of 100% of compensation or \$19,500. Participants may be allowed to elect that all or part of this amount be an after-tax Roth contribution. Same as SIMPLE IRA |
| Required Employer Contributions | Must give dollar-for-dollar match up to 3% ¹ of compensation for all participating employees or a 2% ² nonelective contribution for all eligible employees. | Must give match (typically dollar-for-dollar up to 4% of compensation) ³ for all participating employees or 3% nonelective contributions to all eligible employees. | None, unless plan is top-heavy or fails contribution anti-discrimination testing. |
| Maximum Plan Contributions | Limited to lesser of 100% of compensation or \$13,500, plus the dollar-for-dollar match up to 3%. If age 50 or older, an additional \$3,000 catch-up contribution. Compensation for purpose of determining nonelective contributions is limited to \$290,000. | Limited to lesser of 100% of compensation or \$58,000 annually. This includes \$19,500 maximum deferral, required employer contribution, profit-sharing and Roth contributions. If 50 or older, \$64,500 if full catch-up contribution is made. Compensation for purpose of determining all contributions is limited to \$290,000. | Limited to lesser of 100% of compensation or \$58,000 annually. This includes \$19,500 maximum deferral, employer match, and profit-sharing and Roth contributions. If 50 or older, \$64,500 if full catch-up contribution is made. Same as Safe Harbor 401(k) |
| Testing | Top heavy - No | Top heavy - Yes However, meeting the safe harbor requirements will, in some cases, satisfy the top-heavy testing. | Top heavy - Yes |

All dollar limits apply to 2021 and are subject to annual cost-of-living adjustments.

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| Testing (cont.) | Anti-discrimination testing – No. Highly and nonhighly compensated employees can all defer up to the maximum allowed. | Anti-discrimination testing – No, if safe harbor requirements are met. Highly and nonhighly compensated employees can all defer up to the maximum allowed. | Anti-discrimination testing – Yes, the amount that highly compensated employees can defer is limited by the amount the nonhighly compensated employees actually defer. |
| Vesting | Are immediately vested for all contributions | Employee and safe harbor contributions are immediately vested. Profit-sharing contributions may vest over time. | Employee and qualified nonelective contributions (QNEC) are vested immediately. Other employer contributions (match and profit sharing) may vest over time. |
| Loans | Not allowed | Employer may allow | Employer may allow |
| Plan Year | May be operated on calendar year only | May be operated on calendar or fiscal year | Same as Safe Harbor 401(k) |
| Annual Contribution Notice Requirements | Employees must be given annual notice that explains the employee's right to defer and describes required employer contribution for the plan year. Notice must be given before the start of the 60-day election period for the plan year. | Same as SIMPLE IRA Notice must be given no fewer than 30 days and no more than 90 days prior to the beginning of each plan year. | Employee must be provided annual enrollment deferral elections. |
| Setup Deadlines | An employer must establish the plan by Oct. 1 of the current year to contribute for that year. | Must be established no later than 90 days prior to business year-end to contribute for that year | Must be established before business year-end for profit sharing; must be established before salary deferrals begin |
| Deferral Deposit Deadlines | As soon as administratively feasible, but no later than 30 days following the month in which the deferral was made | As soon as administratively feasible, but no later than 15 business days following the month in which the deferral was made | Same as Safe Harbor 401(k) |
| Employer Funding Deadline | Business's tax-filing deadline, including extensions | Same as SIMPLE IRA | Same as SIMPLE IRA |
| Distributions | Employee has unlimited access subject to 10% early withdrawal penalty if younger than 59½ (exceptions apply). Any distribution during first two years of plan participation is subject to 25% early withdrawal penalty. | Employee must reach a "triggering event" per the plan agreement to be eligible for a distribution. Penalties apply to distributions prior to age 59½ (exceptions apply). Participants may roll over distribution to an IRA. | Same as Safe Harbor 401(k) |
| Annual 5500 Filing | Not required | Required | Required |
| Tax Advantages | Deferrals subject to FICA and FUTA but not federal income tax; contributions have the potential to grow tax-deferred; employer contributions are deductible for business. | Same as SIMPLE IRA. In addition, Roth contributions are after-tax but may be distributed tax-free. | Same as Safe Harbor 401(k) |

1 Match may be reduced to no less than 1% in any two years of a five-year period.

2 Maximum nonelective contribution is \$5,700, as compensation cap of \$290,000 applies. Employer may limit nonelective contribution to only those eligible employees who earn at least \$5,000 compensation in the current year.

3 Required match is 100% of salary deferrals up to 3% of compensation, plus 50% of salary deferrals exceeding 3% but not exceeding 5%. An equivalent match of dollar-for-dollar up to 4% may be, and commonly is, used.

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