

# Spectrum Pension Consultants, Inc.

Summary Comparison of Qualified Plans and IRAs\*  
(2009 Limited Included Herein; Subject to change annually)



Question / Topic	SEP / IRA	SIMPLE IRA	Safe Harbor 401(k)	401(k)	Profit Sharing	Defined Benefit
<b>Who Can Establish?</b>	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Non-Profit	Employers with 100 or fewer employees who earned \$5,000 or more during prior year calendar year (cannot maintain another retirement plan).	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Non-Profit	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Non-Profit	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Non-Profit	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Non-Profit
<b>Maximum Eligibility Requirements</b>	Worked for employer during any period of 3 of the last immediately preceding 5 years; however short. At least 21 years of age. \$550 annual compensation.	\$5,000 for compensation for any 2 preceding years and is expected to earn \$5,000 in current years.	Employees must be 21 and have at least one year of service (typically 1,000 hours).	Employees must be 21 and have at least one year of service (typically 1,000 hours). Two years of service for employer contribution with immediate vesting.	Employees must be 21 and have at least one year of service (typically 1,000 hours). Two years of service with immediate vesting.	Employees must be 21 and have at least one year of service (typically 1,000 hours). Two years of service with immediate vesting.
<b>Are Contributions Mandatory?</b>	No	<b>Employer:</b> Yes <b>Employee:</b> No	<b>Employer:</b> Yes <b>Employee:</b> No	No	No	Yes
<b>Contributions Limits - Employer</b>	25% of each employee's compensation (maximum \$49,000) (\$245,000 salary cap)	Match deferral \$1 for \$1 up to 3% of compensation or 2% (subject to \$245,000 salary cap) nonelective contribution.	25% of participating payroll. Allocation limited to lesser of 100% of Comp. or \$49,000 per participant.	25% of participating payroll. Allocation limited to lesser of 100% of Comp. or \$49,000 per participant.	25% of participating payroll. Allocation limited to lesser of 100% of Comp. or \$49,000 per participant.	Based on Actuarial Assumptions (\$195,000 annual benefit cap for a life annuity payable at age 62 with 10 year of participation)
<b>Contributions Limits - Individual</b>	Not Allowed	\$11,500 limit for 2009	\$16,500 salary deferral limit for 2009	\$16,500 salary deferral limit for 2009	No pre-tax employee contributions allowed. Plan may allow after-tax voluntary employee contributions	No pre-tax employee contributions allowed. Plan may allow after-tax voluntary employee contributions
<b>Catch-Up contributions for workers age 50 and older</b>	Not Allowed	\$2,500	\$5,500	\$5,500	Not Allowed	Not Allowed
<b>Who Directs Investments?</b>	Individual	Individual	Employer/trustee or plan may allow individual direction	Employer/trustee or plan may allow individual direction	Employer/trustee or plan may allow individual direction	Employer/Trustee
<b>Are Loans Available?</b>	No	No	Yes	Yes	Yes	Yes
<b>Vesting</b>	Full & Immediate	Full & Immediate	Full & Immediate (2 year cliff vesting if using new auto-enrollment safe harbor)	Three vesting schedules: immediate, cliff, graded (applies to non-salary deferral contributions)	Three vesting schedules: immediate, cliff, graded	Three vesting schedules: immediate, cliff, graded
<b>Other Advantages</b>	Simple to establish and maintain. No annual 5500 filing requirement. Contributions are deductible to employer.	Simple to establish and maintain. No annual 5500 filing requirement. Contributions are deductible to employer. No discrimination testing. Not subject to top-heavy rules. Some funding responsibility for employees. Deferral reduces taxable income.	Flexibility in plan design; loans may be allowed. Roth 401(k) may be allowed. Contributions Plan expenses may be deductible by employer. Funding responsibility with employees. Deferred amount reduces employee's taxable income.	Flexibility in plan design; loans may be allowed. Roth 401(k) may be allowed. Contributions Plan expenses may be deductible by employer. Deferred amount reduces employee's taxable income. Vesting schedules.	Contributions discretionary. Flexibility in plan design. Loans may be allowed. Contributions, plan expenses may be deductible by employer. Vesting schedules.	Contribution levels may be substantially higher than other types of retirement plans. Favors older, highly compensated employees. Vesting schedules.

\*Adapted from 2009 ASPPA Journal