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Simple IRA vs. 401(k) Snap Shot Comparison

	Simple IRA	401(k)
Elective deferral limit	$13,000	**$19,000**
Catch-up contribution[1]	$3,000	**$6,000**
Maximum annual contribution limit[2]	$26,000	**$56,000**
Profit-sharing option[3]	No	**Yes**
Commissions charged for investment options[4]	Yes	**No**
Use of funds that charge investors 12(b)-1 fees[5]	Yes	**No**
Automatic enrollment option for plan	**Yes**	**Yes**
Option for after-tax Roth contributions	No	**Yes**
Flexibility for age/service requirements to participate[6]	No	**Yes**
Able to exclude certain classes of employees[7]	**Yes**	**Yes**
Flexibility regarding employer's contribution[8]	No	**Yes**
Availability of loans	No	**Yes**

Footnotes

[1] Catch-up contributions available to participants age 50 and over.

[2] Assumes use of profit-sharing plan for 401(k). In both cases, assumes participant maxes out elective deferral and catch-up. For Simple IRA, also assumes participant makes max allowable compensation to be considered ($280,000 for 2019) and receives 3% match.

[3] Profit-sharing plans can be instituted but employer is not required to make annual contributions. Can be structured to allow business owners and highly-compensated employees to receive larger share of contribution to plan.

[4] No commissions are charged on investments in plans through our MEP 401(k); Simple IRA plans typically employ investments that carry a 3.5% - 5.75% front-end sales load on each purchase.

[5] 12(b)-1 fees may be charged by mutual fund companies to pay for advertising and marketing expenses. That charge may be as high as 0.25% of assets invested in a fund. Participants in our MEP 401(k) plans never pay 12(b)-1 fees.

[6] In 401(k) plans, employers may restrict participation to employees who are at least 21 years of age or older and/or have one year of employment with the company in which provided at least 1,000 hours of service. In Simple IRA plans, any employee who received at least $5,000 in compensation from the employer during any 2 preceding calendar years (whether or not consecutive) and who are reasonably expected to receive at least $5,000 in compensation during the calendar year are eligible to participate in the Simple IRA play for the calendar year.

[7] Simple IRA plans allow employers to exclude: 1) employees covered by a collective bargaining agreement; 2) nonresident aliens who received no U.S. sourced earned income. In 401(k) plans, employers may install those same exclusions, as well as exclusions which pertain to leased employees and specific group(s) of employees (i.e. hourly employees).

[8] Under DOL regulations, employers may opt for two types of required contribution for participants: 1) a 2% non-elective deferral or 2) a dollar-for-dollar match of employee contributions that ranges from 1-3%, but match may not be lower than 3% for more than 2 calendar years of a 5-year period.