

# Salary Deferral Plans Comparison (2021)

## Retirement Plans

	SIMPLE IRA	TRADITIONAL 401(k)	SAFE HARBOR 401(k)
<b>WHO MAY ESTABLISH?</b>	Employers with 100 or fewer employees	Any employer except government entities	Same as Traditional 401(k)
<b>ARE OTHER PLANS ALLOWED?</b>	No	Yes	Yes
<b>MAXIMUM EMPLOYEE ELIGIBILITY REQUIREMENTS</b>	Earned \$5,000 in any two preceding years; expected to earn \$5,000 in current year; may exclude union employees covered by a collective bargaining agreement	One year of service, age 21, 1,000 hours; may exclude union employees covered by a collective bargaining agreement <sup>1</sup>	Same as Traditional 401(k)
<b>PLAN YEAR</b>	Calendar year	Any 12-month period	Same as Traditional 401(k)
<b>EMPLOYEE DEFERRALS</b>	Up to \$13,500 per year	Up to \$19,500 per year	Same as Traditional 401(k)
<b>AGE 50 CATCH-UP CONTRIBUTIONS</b>	\$3,000	\$6,500	Same as Traditional 401(k)
<b>AVERAGE DEFERRAL PERCENTAGE (ADP) TEST</b>	N/A	Limits the average deferral of the HCEs <sup>2</sup> to the greater of: 1) 1.25 times the average deferral of Non-HCEs, or 2) plus 2% of average deferral of Non-HCEs	Automatically satisfied
<b>EMPLOYER CONTRIBUTIONS</b>	Each year, must select either: 1. Non-elective – 2% of compensation to all eligible employees, OR 2. Match – 100% of deferred amount up to 3% of compensation (may be lowered to 2% or 1% of compensation in 2 of 5 years)	Optional (unless Top Heavy) matching, qualified matching, qualified non-elective and/or profit sharing contribution; total tax-deductible employer contribution limited to 25% of eligible compensation	Required. Each year, must select either: 1) 3% of compensation to all eligible employees (also satisfies Top Heavy) OR 2) 100% match on the first 3% of salary deferred and 50% match on the next 2% of salary deferred (potential total outlay of 4%)  Additional optional matching and/or profit sharing contributions; total tax-deductible employer contribution limited to 25% of eligible compensation
<b>MAXIMUM ALLOCATION</b>	Combined employer/employee contributions may not exceed \$27,000, or \$33,000 including catch-up, per person	Combined employer/employee contributions may not exceed the lesser of 100% of pay or \$58,000 per person or \$64,500 including catch-up	Same as Traditional 401(k)
<b>VESTING</b>	100% immediate	Employee deferrals, qualified matching and qualified non-elective are 100% immediate; profit sharing and matching contributions up to a six-year graded vesting period	Employee deferrals and employer Safe Harbor contributions are 100% immediate; profit sharing and non-Safe Harbor matching contributions up to a six-year graded vesting period
<b>WITHDRAWALS/PENALTY</b>	Withdrawals not restricted; 25% penalty in first two years if under age 59½, reduced to 10% after two years from first deposit	Withdrawals restricted, but may be allowed due to death, disability, termination of service, hardship, or in-service withdrawal; 10% penalty may apply prior to age 59½ or age 55 if separated from service	Same as Traditional 401(k)
<b>LOANS</b>	Not allowed	Permitted	Same as Traditional 401(k)
<b>ADMINISTRATIVE REQUIREMENTS</b>	No 5500 filings or discrimination tests; little or no recordkeeping costs	Subject to 5500 filings; fees for recordkeeping and administration	Same as Traditional 401(k)
<b>TOP HEAVY CONTRIBUTION</b>	N/A	If > 60% of plan assets are in the accounts of Key Employees <sup>3</sup> , then generally requires a 3% employer contribution to all eligible employees	Top Heavy Test automatically satisfied with 3% qualified non-elective or 3% qualified match to all eligible employees

<sup>1</sup> Due to the Secure Act, starting with calendar year 2021, individuals must also be eligible to participate after three or more consecutive years of 500+ hours. Earliest plan entry would be 2024 or later.

<sup>2</sup> **Highly Compensated Employees (HCE)** include: 1) a 5% or greater owner of the company, or 2) an employee earning > \$130,000 in the prior year (and, if employer elects, in the top 20% of employees as ranked by pay).

<sup>3</sup> **Key Employees** include 1) a 5% or greater owner of the company, 2) a 1% owner having annual compensation > \$150,000, or 3) an officer with compensation > \$185,000.

*Stifel does not provide tax advice. You should consult with your professional tax advisor regarding your particular situation.*