

## 401(k), SEP IRA and SIMPLE IRA Plans Compared

401(k)	SEP	SIMPLE
<b>Plan type:</b> Can be defined benefit or defined contribution or profit sharing or money purchase plan	Defined contribution only	Defined contribution only
<b>Number you can own:</b> Owner may have two or more plans of different types, including an SEP, currently or in the past	Owner may have SEP and 401(k)	Generally, SIMPLE is the only current plan
<b>Due dates:</b> Plan must be in existence by the end of the year for which contributions are made	Plan can be set up later - if by the due date (with extensions) of the return for the year contributions are made	Plan generally must be in existence by October 1 of the year for which contributions are made
<b>Dollar contribution ceiling (for 2020):</b> \$57,000 for defined contribution plan; ceiling of \$230,000 in 2020 for defined benefit plan	\$57,000 in 2020	\$16,500 in 2020
<b>Percentage limit on contributions:</b> 50% of earnings for defined contribution plans (100% of earnings after contribution). Elective deferrals in 401(k) not subject to this limit. No percentage limit for defined benefit plan.	Lesser of \$57,000 of 25% of eligible employee's compensation, \$285,000 in 2020. Elective deferrals in SEPs formed before 1997 not subject to this limit.	100% of earnings, up to \$13,500 for 2020 for contributions as employee; 3% of earnings, up to \$13,500, for contributions as employer
<b>Deduction ceiling:</b> For defined contribution, lesser of \$57,000 or 20% of earnings. 401(k) elective deferrals not subject to this limit. For defined benefit, net earnings.	Lesser of \$57,000 or 25% of eligible employee's compensation. Note that Elective deferrals in SEPs formed before 1997 are not subject to this limit.	Same as percentage ceiling on SIMPLE contribution
<b>Catch-up contribution age 50 or over:</b> Up to \$6,500 in 2020 for 401(k)s	Same for SEPs formed before 1997	Up to \$3,000 in 2020.
<b>Prior years' service</b> can count in computing contribution	No	No
<b>Investments:</b> Wide investment opportunities. Owner may directly control investments.	Somewhat narrower range of investments. Less direct control of investments.	Same as SEP
<b>Withdrawals:</b> Some limits on withdrawal before retirement age	No withdrawal limits	No withdrawal limits
<b>Permitted withdrawals</b> before age 59 1/2 may still face 10% penalty	Same as 401(k) rule	Same as 401(k) rule except penalty is 25% in SIMPLE's first two years
<b>Spouse's rights:</b> Federal law grants spouse certain rights in owner's plan	No federal spousal rights	No federal spousal rights
<b>Rollover</b> allowed to another plan such as a Keogh, SEP or IRA, but not a SIMPLE.	Same as 401(k) rule	Rollover after 2 years to another SIMPLE and to plans allowed under 401(k) rule