



RETIREMENT PLAN COMPARISON CHART

| PLAN TYPE | SIMPLE IRA | SEP IRA | SOLO 401(k) | 401(k) PLAN | SAFE HARBOR 401(k) PLAN | PROFIT SHARING PLAN | NEW COMPARABILITY PROFIT SHARING PLAN | CASH BALANCE PLAN |
|---------------|--|---|--|--|--|--|---|---|
| WHO SPONSORS | All businesses with fewer than 100 employees | All businesses (including startup or smaller firms, corporate or non-corporate) seeking to minimize filings, paperwork and overall cost | All businesses with no common law employees | All businesses except governmental agencies Larger employers where the nondiscrimination tests are not an issue | All businesses except governmental agencies | All businesses seeking flexibility of discretionary contributions and the ability to impose a vesting schedule on these contributions | All businesses (including small businesses or professional practices) wishing to favor either the older employees or a specific group of employees (generally set up to favor owners) | All highly profitable businesses with consistent profit patterns |
| ADVANTAGES | Provides pre-tax retirement savings and easy administration Requires minimal IRS reporting and has minimal cost | Minimal IRS reporting and disclosures Easy to set up and administer. | Allows sole-proprietors the ability to contribute maximum deferrals plus 20%-25% of their income to a bankruptcy proof trust. No tax filings until assets reach \$250,000. | Provides an effective tax tool and employee benefit with employer control. Roth contributions allowed for high income taxpayers. | Great for small to medium sized, family owned businesses who wish to avoid ADP/ACP and top-heavy discrimination tests. Roth contributions allowed. | Often added to a 401(k)/Safe Harbor 401(k) giving the sponsor the discretion to contribute a total of 25% of eligible plan compensation. | Often added to a 401(k)/Safe Harbor 401(k) giving the sponsor the discretion to contribute a total of 25% of eligible plan compensation. Contribution amounts can vary greatly among owners and eligible employees. | Allows owners who are 40+ to contribute much higher contributions per year. Cash Balance plans are paired with 401(k) plans to achieve individual contribution limits of \$100,000 to \$300,000 per person. |
| DISADVANTAGES | Lack of flexibility in employer contributions. Employees have access to funds at any time. Plan must cover all employees of all related employers. | Easy for employer to overlook technical requirements. Plan must cover all employees and all employees of related employers. | | Required nondiscrimination testing | Employer must make minimum Safe Harbor contributions each year. | Increased flexibility may result in increased complexity and expense. | Required nondiscrimination testing Increased flexibility may result in increased complexity and expense. | Minimum funding requirement Generally, required PBGC premiums Employer assumes funding risk May be difficult to communicate value of program to employees |
| COST INDEX | Low | Low | Low | Low to high depending on complexity of plan design | Low | Low to medium depending on complexity of plan design | Medium to high depending on complexity of plan design | High |

RETIREMENT PLAN COMPARISON CHART *(continued)*

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|---|---|---|--|---|--|--|--|--|
| DEADLINE TO ESTABLISH | No later than October 1 | Any time prior to tax filing | Prior to fiscal year end | Prior to fiscal year end | Election can be made up to end of next fiscal year | Any time prior to tax filing | Any time prior to tax filing | Any time prior to tax filing |
| FUNDED BY | Employer and Employee | Employer | Employer and Employee | Employer and Employee | Employer and Employee | Employer | Employer | Employer |
| GOVERNMENT REPORTING | No | No | Yes, if greater than \$250,000 in assets | Yes | Yes | Yes | Yes | Yes |
| MAXIMUM ANNUAL INDIVIDUAL CONTRIBUTION | 100% of compensation up to \$14,000 (indexed) Additional \$3,000 in catch-up deferrals if age 50+ | Not applicable | 100% of compensation up to \$20,500 in employee deferrals (indexed) Additional \$6,500 in catch-up deferrals if age 50+ | 100% of compensation up to \$20,500 in employee deferrals (indexed) Additional \$6,500 in catch-up deferrals if age 50+. | 100% of compensation up to \$20,500 in employee deferrals (indexed) Additional \$6,500 in catch-up deferrals if age 50+. | Not applicable | Not applicable | Not applicable |
| MAXIMUM ANNUAL EMPLOYER CONTRIBUTION | Choice of two mandatory contributions: 1. Match 100% up to 3% of compensation OR 2. Contribution of 2% of compensation to all eligible employees. The match can be reduced in 2 out of 5 years. No additional employer contributions | Discretionary employer contributions up to 25% of eligible employee compensation An eligible participant shares in the current year contribution if he or she earned in excess of \$650 (indexed). | 20% of Schedule C income or K-1 income and 25% of W-2 income PLUS \$20,500 in employee deferrals (indexed) Additional \$6,000 in catch-up deferrals if age 50+ at any time during the plan year. Income is limited to \$305,000 (indexed). | 25% of eligible employee compensation Individual eligible employee compensation is limited to \$305,000 (indexed) Individual total contributions may not exceed \$61,000/\$67,500 if catch-up eligible (indexed). | Choice of Safe Harbor Match formula or SH Non-Elective: 1(a). Basic Match: 100% up to 3% of compensation plus 50% of next 2% of compensation 1(b). Enhanced Match: 100% up to 4% of compensation (The enhanced match is easier to explain and set up on payroll.) OR 2. Contribution of 3% of compensation to all eligible employees | Discretionary contributions up to 25% of eligible employee compensation Individual eligible employee compensation is limited to \$305,000 (indexed). Individual total contributions may not exceed \$61,000 (indexed). | Discretionary contributions up to 25% of eligible employee compensation Individual eligible employee compensation is limited to \$305,000 (indexed). Individual total contributions may not exceed \$61,000 (indexed). | Contributions are MANDATORY and based on age and wage. Owner contributions are set at a percentage of income or flat dollar amount which may be adjusted every 3 to 5 years. Wages are limited to \$305,000 (indexed). Individual contribution limits range from \$100,000 to \$300,000 per person depending on age and wage. |

If you have questions or would like to learn more about Warren Averett Benefit Consultants, contact:
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