

SIMPLE IRA vs. 401(k) comparison chart



Wealth Management

Feature	SIMPLE IRA	401(k)
Eligible employer	Employers who on any day during the preceding year have 100 or fewer employees earning \$5,000 or more in compensation. No other plan may be maintained at the same time.	Any business
Establishment deadline	October 1 of current year. Can be later if business is established after October 1.	Last day of employer's taxable year
Eligible employees	Employees who receive \$5,000 in compensation in any two preceding years and are expected to receive \$5,000 in the current year are eligible. These requirements may be less restrictive.	May be less, but cannot exclude those who exceed: <ul style="list-style-type: none"> • Age 21 • One year of service • 1000 hours of service per year
Contribution limits—employer	Employer must make matching contributions up to 3% of employee compensation or contribute 2% of total eligible employee compensation. Total employer contribution may not exceed \$13,000 per year in 2019. Employers can contribute up to \$16,000 if employee is age 50 or older.	Employer's discretion up to 25% of eligible payroll. Can be made as a matching or a profit-sharing contribution. Contributions may continue beyond age 70½.
Contribution limits—employee	Employees can defer up to \$13,000 per year (2019), or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional \$3,000.	Employees can defer up to \$19,000 per year (2019). Employee and employer contributions per employee cannot exceed \$56,000 (2019) unless employee is age 50 or older, then they may defer up to an additional \$6,000.
Deductions & deferrals	Employer and employee contributions deductible to employer. Employee contributions are pre-tax and tax deferred.	Employer and employee contributions deductible to employer. Employee contributions are pre-tax and tax deferred. Alternatively, and depending upon plan design, may be directed on an after-tax basis into a designated Roth 401(k) account.
Vesting	100% vested immediately	Several permissible vesting schedules
Loan provisions ¹	No	Yes
Testing	No testing	Subject to ADP, ACP and top heavy testing
Distributions ²	10% premature distribution penalty may apply; penalty is increased to 25% during first two years. Must begin distributions at age 70½. In-service distributions allowed.	10% premature distribution penalties may apply. Must begin distributions at age 70½ unless still employed ² . In-service distributions available if plan document allows.
Portability ³	Rollovers are permitted only after the two-year period has been met	May be permitted per plan provisions

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1. Loan Limits: Maximum of 50% of vested balance up to \$50,000. Payments must be made at least quarterly with level amortization.
2. Owners of 5% or more of a company must start Required Minimum Distributions by the April 1 of the year following the year one attains age 70½.
3. In December 2015, Congress passed the Protecting Americans from Tax Hikes Act (PATH Act). Part of the PATH Act enables Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Accounts (SIMPLE IRA) the option to accept rollovers from other retirement plans.

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