

Retirement Plan Options for Business Owners

Least effort to most effort 

	SEP IRA	PROFIT-SHARING PLAN	SIMPLE IRA	401(K)
PROS	<ul style="list-style-type: none"> Free to set up No annual IRS filings Can choose when and how much to contribute each year 	<ul style="list-style-type: none"> One account Reward employees with a share of company profits Can choose when and how much to contribute 	<ul style="list-style-type: none"> Free to set up Allows employees to defer wages Convenient option for companies with up to 100 employees 	<ul style="list-style-type: none"> Larger employee deferrals Roth option can be added Participants can take loans from account Employer matching is optional
CONS	<ul style="list-style-type: none"> Paperwork - every eligible employee must open an account Does not allow employees to defer wages 	<ul style="list-style-type: none"> Requires annual upkeep by a 3rd party administrator Does not allow employees to save part of their wages 	<ul style="list-style-type: none"> Paperwork - every eligible employee must open an account Employer most likely required to make contributions every year Need to coordinate employee deferrals each pay period 	<ul style="list-style-type: none"> More expensive to maintain More time consuming in terms of administration and upkeep
WHO CONTRIBUTES?	EMPLOYER only	EMPLOYER only	EMPLOYEE and EMPLOYER	EMPLOYEE and <i>optional</i> EMPLOYER match
ELIGIBILITY	Any employee who meets all of the following criteria: <ul style="list-style-type: none"> At least 21 years old Employed for 3 of past 5 years Earned > \$600 during the year 	Any employee who meets all of the following criteria: <ul style="list-style-type: none"> At least 21 years old Has one year of service Will work at least 1,000 hours in current year 	Any employee who meets all of the following criteria: <ul style="list-style-type: none"> Has annual comp of at least \$5,000 in past 2 years Is expected to earn at least \$5,000 in current year 	Any employee who meets all of the following criteria: <ul style="list-style-type: none"> At least 21 years old Will work at least 1,000 hours in current year
HOW MUCH? <i>*in 2021</i>	25% of employee comp or \$58,000 <i>*whichever is smaller</i>	25% of employee comp or \$58,000 <i>*whichever is smaller</i>	EMPLOYEE = \$13,500 max, plus extra \$3,000 if > 50 years old EMPLOYER = <i>either</i> : (1) Dollar-for-dollar match up to 3% or (2) Flat 2% for everyone	EMPLOYEE = \$19,500 max, plus extra \$6,500 if > 50 years old EMPLOYER = match not required; employee + employer deposits cannot exceed \$58,000
VESTING	No vesting allowed; ALL contributions belong to employees	Can set vesting restrictions to incentivize employees to stay	No vesting allowed; ALL contributions belong to employees	Can set vesting restrictions on employer contributions
ONGOING MAINTENANCE	Minimal; can make one, annual lump sum contribution to accounts before tax deadline	Requires annual disclosures and tax filings (typically handled by a 3rd party administrator)	Requires annual notice to employees about their options, elections, plan details, etc.	Requires annual disclosures and tax filings (typically handled by a 3rd party administrator)



www.taylorhoffman.com

1802 Bayberry Court, Suite 101, Richmond, VA 23226

Phone: (804) 964-2500 | resources@taylorhoffman.com

DISCLOSURES: Taylor Hoffman Wealth Management, LLC ("Taylor Hoffman" or the "Firm") is an SEC-registered investment adviser with a principal place of business in the Commonwealth of Virginia. Registration does not imply a certain level of skill or training. Taylor Hoffman may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. For information pertaining to the registration status of Taylor Hoffman, please refer to the Investment Adviser Public Disclosure website, operated by the U.S. Securities and Exchange Commission, at www.adviserinfo.sec.gov, which contains the most recent versions of the Firm's Form ADV disclosure statement.

The information contained herein is provided for informational purposes only and should not be construed as the provision of personalized investment advice, or an offer to sell or the solicitation of any offer to buy any securities. Rather, the contents including, without limitation, any forecasts and projections, simply reflect the opinions and views of the author. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change without notice. There is no guarantee that the views and opinions expressed herein will come to pass.

This document contains information derived from third party sources. Although we believe these third party sources to be reliable, Taylor Hoffman makes no representations as to the accuracy or completeness of any information derived from such third-party sources and takes no responsibility therefore.

Taylor Hoffman is not a Public Accounting firm, and the information contained herein should not be construed as tax advice. Rather the contents included are a reflection of the view and opinions of the author. There is no guarantee that the information provided fits every situation, and individuals should consult their tax advisor for more specifics. Taylor Hoffman is not a law firm, and the information contained herein should not be construed as legal advice. Rather the contents included are a reflection of the view and opinions of the author. There is no guarantee that the information provided fits every situation, and individuals should consult their attorney for more specifics.