

# RETIREMENT PLANS OVERVIEW 2023

## RETIREMENT PLANS THAT PERMIT BOTH EMPLOYEE AND EMPLOYER CONTRIBUTIONS

Features	Simple IRA	Basic 401(k)	Safe Harbor 401(k)
<b>Advantages</b>	Low set-up and administrative costs, simple to maintain	Permits employees to make larger contributions and offers more plan features than a SIMPLE IRA	Permits owners to make larger contributions than a Basic 401(k) plan as nondiscrimination testing is not required
<b>Disadvantages</b>	Minimum contributions for employees are required and contributions for owners are lower than a 401(k) plan	More complex and higher costs for administration than a SIMPLE IRA. Nondiscrimination testing is required	More complex and higher costs for administration than a SIMPLE IRA. Minimum contributions for employees are required
<b>Employer eligibility</b>	Any type of business with 100 or fewer employees	Any type of business	Any type of business
<b>Employee eligibility requirements (maximum limits)</b>	Any employee who earned \$5,000 or more in 2 prior years and who will be expected to earn \$5,000 or more in the current year	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period
<b>Maximum employee deferral contribution</b>	\$15,500 (\$19,000 if employee is age 50 or older)	\$22,500 (\$30,000 if employee is age 50 or older)	\$22,500 (\$30,000 if employee is age 50 or older)
<b>Maximum contributions per employee (combined employer and employee contributions)</b>	\$31,000 (\$38,000 if age 50 or older) Totals based on employer making match contributions and assumes employee's compensation is at least \$516,667 (\$633,334, if age 50 or older)	Generally, the lesser of \$66,000 (\$73,500 for employees age 50 or older) or 100% of an employee's compensation. Employer contributions are limited to 25% of total payroll (in addition to employee deferrals)	Generally, the lesser of \$66,000 (\$73,500 for employees age 50 or older) or 100% of an employee's compensation. Employer contributions are limited to 25% of total payroll (in addition to employee deferrals)
<b>Required employer contributions</b>	<ul style="list-style-type: none"> <li>Dollar for dollar match on the first 3% of compensation that an employee defers, OR</li> <li>2% of compensation for each eligible employee</li> </ul>	None unless plan is top heavy. Match or discretionary contributions are optional	<ul style="list-style-type: none"> <li>Dollar for dollar match on the first 3% of compensation that an employee defers and \$0.50 per dollar on the next 2% of compensation that an employee defers, OR</li> <li>3% of compensation for each eligible employee</li> </ul>
<b>Flexible plan options</b>	No	Yes (e.g. loans, vesting schedules, larger employer contributions for owners through optional plan provisions)	Same options as Basic 401(k) but with limitations involving certain vesting requirements
<b>Additional discretionary employer contributions</b>	No	Yes	Yes
<b>IRS Form 5500 required</b>	No	Yes	Yes

## PLANS THAT ARE FUNDED BY EMPLOYER CONTRIBUTIONS ONLY

Features	SEP	Basic Profit Sharing	New Comparability Profit Sharing	Defined Benefit
<b>Advantages</b>	Low set-up and administrative costs, simple to maintain	Potentially larger contributions for owners and offers more plan features than a SEP	Proportionately larger contributions for owners than other employees (based on owner's age and compensation relative to other employees)	Proportionately larger contributions for older owners than other types of plans
<b>Disadvantages</b>	Contributions for eligible employees are required when contributions are made for the owner	More complex and higher administration costs than a SEP	More complex and higher administration costs than a SEP or Basic Profit Sharing	More complex and higher administration costs compared to other plans as the services of an actuary are required
<b>Employer eligibility</b>	Any type of business	Any type of business	Any type of business	Any type of business
<b>Employee eligibility requirements (Maximum limits)</b>	Any employee at least age 21, who performed services in 3 of the preceding 5 years and will earn at least \$750 in the current year	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period	Generally, any employee at least age 21, who has worked 1,000 hours or more within a 12-month period
<b>Maximum employer contribution</b>	The lesser of \$66,000 or 25% of an employee's compensation	Generally, the lesser of \$66,000 or 100% of an employee's compensation. However, overall total plan contributions are limited to 25% of total payroll	Generally, the lesser of \$66,000 or 100% of an employee's compensation. However, overall total plan contributions are limited to 25% of total payroll	Generally, contributions are limited to those that will fund a benefit that does not exceed the lesser of \$265,000 or 100% of an employee's average compensation over the employee's 3 highest paid consecutive years
<b>Required employer contributions</b>	None, all contributions are at the employer's discretion	None, all contributions are at the employer's discretion (however, a contribution should be made in at least 1 of every 3 years)	None, all contributions are at the employer's discretion (however, a contribution should be made in at least 1 of every 3 years)	Yes, based on the funding requirements calculated by the actuary
<b>Flexible plan design features for owners</b>	No (however, contributions for owners may be larger if plan is integrated with social security)	Yes	Yes	Yes
<b>Vesting schedule</b>	All employer contributions are 100% vested	Vesting schedules may apply to employer contributions (e.g. gradual vesting over 2-6 years or 100% after 3 years)	Vesting schedules may apply to employer contributions (e.g. gradual vesting over 2-6 years or 100% after 3 years)	Vesting schedules may apply to employer contributions (e.g. gradual vesting over 2-6 years or 100% after 3 years)
<b>IRS Form 5500 required</b>	No	Yes	Yes	Yes

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