

Your Guide to Retirement Plans

Looking to learn more about different plan types? This guide highlights common retirement plans along with key benefits and considerations of each — so you can make the best decision for your clients.

PLAN BREAKDOWN	401(K) ¹	403(B) ²	SIMPLE IRA	SEP IRA	CASH BALANCE & DEFINED BENEFIT
Who is this available to?	All businesses	Nonprofits, religious organizations, and certain public entities	Business with 100 or fewer employees	All businesses	All businesses
Which employees can participate?³	Generally, employees age 21+ working at least 1 year for 1,000+ hours ⁴	Generally, employees are immediately eligible with a few exceptions	Employees earning \$5,000+ for the past 2 years and current year	Employees age 21+ earning \$750+ per year and employed for 3 of past 5 years	Generally, employees age 21+ working at least 1 year for 1,000+ hours
How much can employees contribute in 2024?⁵	100% of pay up to \$23,000 + \$7,500 in catch-up if age 50+	100% of pay up to \$23,000 + \$7,500 in catch-up if age 50+	Up to \$16,000 + \$3,500 in catch-up if age 50+	Employee contributions not available	Employee contributions typically not required; contributions dependent on plan design
Are employers required to contribute each year?	For non-safe harbor 401(k), contributions are optional; For safe harbor 401(k), contributions are required	Contributions optional	Contributions required	Contributions optional	Contributions required
If required, what are an employer's annual contribution options?	For safe harbor 401(k), options include but aren't limited to: 3% of employee pay no matter what, 100% match up to 3% of pay and 50% match on next 2% of pay, etc.	Contributions optional	Option 1: 2% of employee pay no matter what; Option 2: 100% match up to 3% of employee pay ⁶	Contributions optional, but employers must contribute an equal percentage of pay for all employees	Determined annually based on plan design and benefit formula
What is the maximum employee + employer contribution amount allowed in 2024?⁵ (Excludes catch-up)	100% of employee pay up to \$69K	100% of employee pay up to \$69K	If option 1, max \$22,900. If option 2, max \$26,350.	25% of employee pay up to \$69K	Determined annually based on plan design; retirement benefit payout has limits
What are the vesting options?	For safe harbor 401(k), immediate 100% vesting required; For non-safe harbor 401(k), vesting options vary	Vesting options vary	Immediate 100% vesting required	Immediate 100% vesting required	Vesting options vary
Are loans and hardship withdrawals permitted?	Depends on employers' plan design	Depends on employers' plan design	Loans not permitted; withdrawals available	Loans not permitted; withdrawals available	Loans depend on employers' plan design; withdrawals generally not permitted
Are auto-enroll & auto-escalation available?	Yes; Required in 2025	Yes; Required in 2025	Yes	N/A	N/A

1. Excludes SIMPLE 401(k) plans

2. Safe harbor 403(b) plans are another option with slightly different features than listed above

3. Employers have some flexibility on these eligibility requirements

4. As of January 1, 2024, eligibility has expanded for certain part-time employees

5. Numbers subject to change each year based on IRS guidelines

6. This percentage can be reduced for 2 out of 5 years of plan operation

Safe Harbor 401(k)

Available to: All businesses

Offered by Vestwell

Benefits

- ✓ Bypasses certain compliance tests
- ✓ Employers can provide a generous employee benefit
- ✓ Great for employee attraction & retention
- ✓ Various options for plan design
- ✓ Vestwell handles annual IRS 5500 filing and any additional compliance testing
- ✓ Employer contributions are tax deductible up to IRS limits and employee contributions may reduce taxable income and grow tax-deferred
- ✓ Small businesses can receive tax credits that offset plan costs

Considerations

- Employer contributions required
- QACA safe harbor plans are the only plan types that allow a vesting schedule
- Plans including 100+ participants with an account balance may be subject to an annual CPA audit

Non-Safe Harbor 401(k)

Available to: All businesses

Offered by Vestwell

Benefits

- ✓ Great for employee attraction & retention
- ✓ Various options for plan design and vesting
- ✓ Employers can provide a generous employee benefit
- ✓ Vestwell handles annual IRS 5500 filing and compliance testing
- ✓ Employer contributions are tax deductible up to IRS limits and employee contributions may reduce taxable income and grow tax-deferred
- ✓ Small business can receive tax credits that offset plan costs

Considerations

- Annual compliance testing is mandatory
- Plans including 100+ participants with an account balance may be subject to an annual CPA audit
- Contributions may be limited for highly compensated employees

403(b)

Available to: Nonprofits and certain public entities

Offered by Vestwell

Benefits

- ✓ Employees generally immediately eligible to participate
- ✓ Simplified compliance testing relative to a 401(k)
- ✓ Great for employee attraction & retention
- ✓ Employers can provide a generous employee benefit
- ✓ Vestwell handles annual filing and any compliance testing
- ✓ Employee contributions may reduce taxable income and grow tax-deferred

Considerations

- Certain compliance tests may be required dependent on plan type
- Plans including 100+ participants with an account balance may be subject to an annual CPA audit
- 403(b) may have less name recognition for your employees than 401(k)

SIMPLE IRAs

Available to: Businesses with 100 or fewer employees

Benefits

- ✓ Minimal setup & administrative maintenance requirements
- ✓ Employer contributions are tax deductible and employee contributions may reduce taxable income and grow tax-deferred
- ✓ Small businesses can receive tax credits that offset plan costs

Considerations

- Employer contributions required
- Lower contribution limits relative to other plans
- Additional taxes for non-qualified employee withdrawals
- No vesting schedules are permitted

SEP IRA

Available to: All businesses

Benefits

- ✓ Minimal setup & administrative maintenance requirements
- ✓ Higher contribution limits than SIMPLE IRA, in line with other retirement plans
- ✓ Employers can choose whether to contribute in a given year
- ✓ Employer contributions are tax deductible up to IRS limits
- ✓ Small businesses can receive tax credits that offset plan costs

Considerations

- Employers must contribute an equal percentage of compensation for all employees
- Employee contributions not permitted
- Additional taxes for non-qualified employee withdrawals
- No vesting schedules are permitted

Cash Balance & Defined Benefit

Available to: All businesses

Supported by Vestwell in partnership with a TPA

Benefits

- ✓ Good option for small businesses with high earners & long-term employees
- ✓ Employees guaranteed a set retirement income benefit based on factors like annual compensation and tenure
- ✓ Business owners and key employees can build a large account balance quickly due to higher contribution limits than other plan types
- ✓ Employer contributions are tax deductible and grow tax-deferred for employees

Considerations

- Employers are required to make substantial contributions over a number of years
- Higher setup & administration costs than other plan types due to complexity
- Investment risk falls on the employer

Which plan is best for your clients' goals?

Vestwell is here to help. More than 50,000 employers trust Vestwell to power their savings programs. Contact us at sales@vestwell.com, and our team of retirement plan experts can help you find the plan type best suited for your clients.

Please note, there may be additional details regarding the features, benefits, and considerations listed in this document that depend on the specific company and chosen plan type.

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