osaic
Empowering Wealth

State-Mandated IRA vs. Employer-Sponsored Plan

Employer Retirement Plan Consulting

A side-by-side comparison to help employers choose the stronger retirement solution.

The Bottom Line: Adopting a qualified employer-sponsored plan satisfies a state's retirement mandate. Employers don't need to maintain both.

State-Mandated IRA	Feature	Employer-Sponsored Plan
X None available to the employer	**Small Plan Tax Credits**	✓ Up to 100% of start-up costs (max $5,000/yr, first 3 yrs) + up to $1,000/employee for employer contributions (first 5 yrs) + $500 auto-enrollment credit
X Roth IRA only in most states	**Design Flexibility**	✓ Pre-tax and Roth options, employer match, and profit sharing
X Employee only — $7,500 IRA limit ($8,600 if age 50+)	**Contributions (2026 Limits)**	✓ Employee + employer — $24,500 employee deferral, $72,000 combined limit
X Multi-state employers may need to register in multiple state programs (22 states + Philadelphia active as of mid-2026)	**Administration**	✓ One plan covers every employee, regardless of state
X Employer must source financial education independently	**Employee Education**	✓ Financial wellness education typically provided by the recordkeeper
X Not governed by ERISA	**Legal Protections**	✓ ERISA protections + fiduciary support, especially through pooled/PEP solutions

Penalty Risk

Employers in mandate states that don't comply can face escalating per-employee penalties — the longer they wait, the more it costs.

Potential for $0 Net Cost

Stacking the start-up, contribution, and auto-enrollment credits can bring net plan cost to $0 for many small employers (50 or fewer employees) in the first few years.

Key Takeaway: An employer-sponsored plan offers greater design flexibility, higher contribution limits, valuable tax credits, built-in participant education, and stronger legal protections — all in a single solution.

Sources: SECURE 2.0 Act of 2022; IRS Notice 2025-70 (2026 cost-of-living limits); Georgetown University Center for Retirement Initiatives (state-facilitated program count, as of June 2026). Tax credit and contribution figures are general in nature and subject to plan- and employer-specific eligibility rules.

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states now require employers to offer a retirement option

California	Colorado	Connecticut
Delaware	Illinois	Maine
Maryland	Massachusetts	Nevada
New Jersey	New York	Oregon
Rhode Island	Vermont	Virginia

Know your state's program. The winning pitch is why the plan you design beats the state default.