



A RETIREMENT SOLUTION THAT GROWS WITH YOUR BUSINESS

Sponsoring and maintaining a retirement plan can seem challenging, but it's one of the most important decisions you can make as a business owner. That's why we offer retirement benefits that are simpler — and more flexible — than you might expect.

Many small business owners offer SEP or SIMPLE IRA plans as their retirement savings program. As your business grows, additional retirement program flexibility can be a meaningful enhancement. That's why Transamerica offers 401(k) solutions to businesses of varying sizes. A 401(k) plan offers several advantages over SEP or SIMPLE IRAs, including higher contribution rates, penalty-free access to funds,¹ reduced administrative and fiduciary responsibilities, and potential cost savings.

CONSIDER THE DIFFERENCES BETWEEN THESE THREE PROGRAMS

	401(k)	SEP IRA	SIMPLE IRA
WHO CAN CONTRIBUTE	Employer (optional) + employee	Employer only	Employer + employee
EMPLOYEE CONTRIBUTIONS IN 2025 (MAXIMUM)	Up to \$23,500 in salary deferrals, or \$31,000 if age 50 or older. SECURE 2.0 Act of 2022 permits those aged 60 through 63 to contribute \$34,750.	N/A	Up to \$16,500 in salary deferrals; \$20,000 for age 50+ ² . SECURE 2.0 Act of 2022 permits those aged 60 through 63 to contribute \$21,750.
ROTH CONTRIBUTIONS ALLOWED	Yes	N/A	Yes
EMPLOYER CONTRIBUTIONS IN 2025	Employers can match contributions or make profit-sharing contributions up to 100% of compensation; combined employer/employee contribution max: \$70,000	Up to 25% of compensation up to max \$70,000	Depending on the plan, either: 1) Match employee contributions up to 3% of compensation; can be reduced to 1% in any two out of five years, up to maximum of \$10,500 ² 2) And an additional contribution of up to 10% of compensation, up to a maximum of \$5,000 3) Or contribute 2% of each eligible employee's compensation, up to a maximum of \$7,000 ²
VESTING	Depends on the plan: multi-year options or immediate Employee deferrals are always 100% immediately vested	Immediate	Immediate
ACCESS TO FUNDS BEFORE 59½ ¹	Plan determines loan availability; early withdrawal options may be available as long as IRS requirements are met and the plan allows it	Anytime, however 10% penalty for withdrawal before age 59½	Anytime, however 25% penalty for withdrawing within first two years of participating, 10% if under 59½ ³
PLAN SETUP DEADLINE	October 1 for safe harbor 401(k)s, otherwise December 31 ⁴	By employer's tax filing deadline, plus extensions	October 14
ANNUAL NOTICE REQUIREMENT	Annual notice not less than 90 days or later than 30 days prior to plan year start	N/A	November 1
LIMIT ON NUMBER OF COVERED EMPLOYEES	None	None	Generally less than or equal to 100
PROTECTION FROM CREDITORS	ERISA-covered plans are protected from creditors	Limited state protection in bankruptcy	Limited state protection in bankruptcy

WE'RE HERE TO HELP

Whether you're considering establishing a new 401(k) plan or converting your existing SEP or SIMPLE IRA plan, we'd be happy to discuss the advantages of a 401(k) and the potential for both cost savings and tax benefits for your business.

While SEP and SIMPLE IRAs offer small business retirement plan solutions, the benefits of a 401(k) are clear:

- More flexibility
- Higher contribution limits for all
- Opportunity to maximize contributions
- Penalty-free access to assets¹
- Both employee and employer can contribute
- SEP/SIMPLE IRAs can have high withdrawal penalties
- Loan availability allows employees to pay back early withdrawals

Because of IRS rules, timing is critical when replacing a SEP or SIMPLE IRA with a 401(k) plan, but recent regulatory changes make it easier than ever. Those rules include:

- A SIMPLE IRA may be replaced with a safe harbor 401(k) plan or a starter 401(k) plan at any time during the plan year if certain criteria are met, including waiver of the two-year rollover limit in SIMPLE IRAs.
- Terminating a SIMPLE IRA requires notices to participants and rollover of participant balances to the new plan.

Learn more



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¹ Certain requirements must be met for loans and withdrawals to be taken without penalty, depending on plan provisions.

² Employers with 25 or fewer employees can increase limits up to 10% on deferrals and catch-up contributions. Employers with 26-100 employees may apply higher limits if the plan provides a 4% match or 3% non-elective contribution.

³ Certain exceptions apply to penalties for distributions prior to 59½.

⁴ Employers may not have a SIMPLE IRA & 401(k) in the same calendar year. Special transition rules apply.

Before adopting any plan you should carefully consider all of the benefits, risks, and costs associated with a plan. Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.