



# Choosing the right retirement plan

All of the retirement plans discussed here have unique advantages and considerations. The following chart provides a summary of each design, including contribution limits and key considerations for choosing the plan that best meets your company's needs.

Simple IRA	
Who can establish	Self-employed persons, partnerships, corporations, nonprofit groups, tax-exempt institutions and government entities with 100 or fewer employees. Generally, the employer may not maintain another plan.
Key features	<ol style="list-style-type: none"><li>1. Inexpensive 401(k)-type plan for the smaller business owner.</li><li>2. No 401(k)-type discrimination testing.</li><li>3. Deductible employer contributions are made directly to employees' IRAs.</li><li>4. Employer contributions are mandatory.</li><li>5. All contributions are immediately 100% vested.</li></ol>
Annual contribution limits	<ol style="list-style-type: none"><li>1. For 2024, employees may make salary deferrals up to the lesser of \$16,000 or 100% of income. For 2025, the salary deferral increases to \$16,500. See the IRS chart for catch-up contributions if employee is age 50 or older.</li><li>2. Employer must choose one of two options:<ul style="list-style-type: none"><li>• Match employee's contribution dollar for dollar, up to 3% of compensation (match cannot exceed deferral limit).</li><li>• Contribute 2% of each eligible employee's compensation.</li></ul></li></ol>
SEP IRA	
Who can establish	Self-employed persons, partnerships, corporations and nonprofit groups.
Key features	<ol style="list-style-type: none"><li>1. Deductible employer contributions are made directly to employees' IRAs.</li><li>2. Employers can change their annual contributions.</li><li>3. All contributions are immediately 100% vested.</li><li>4. Minimal paperwork and reporting.</li></ol>
Annual contribution limits	Up to the lesser of 25% of an employee's eligible compensation or \$69,000 for 2024. For 2025 the limit increases to \$70,000.
401(k) plans and individual 401(k) plans	
Who can establish	Partnerships, corporations, and nonprofit groups.
Key features	<ol style="list-style-type: none"><li>1. Permits pre-tax salary deferral contributions.</li><li>2. Designated Roth contributions offer tax-free qualified distributions (salary deferrals and employer contributions are included in the participant's taxable income the year that they are earned).</li><li>3. Employer matching and profit-sharing contributions may be discretionary.</li><li>4. Vesting schedule on employer contributions is determined by the employer for group 401(k); individual 401(k) plans are 100% vested immediately.</li><li>5. Participant loans are available.</li><li>6. Due to complicated discrimination testing and tax reporting, third-party administrative services are recommended.</li></ol>

## 401(k) plans and individual 401(k) plans *continued*

<b>Annual contribution limits</b>	<ul style="list-style-type: none"><li>• Employees can make salary deferrals on a pre-tax basis of up to \$23,000 in 2024. For 2025 it increases to \$23,500. See the IRS chart for catch-contributions if age 50 and older.</li><li>• The maximum contribution limit (employee and employer amounts combined) is \$69,000 for 2024. For 2025 the limit increases to \$70,000. These amounts do not include the catch-up contributions. See the IRS chart for catch-contributions if age 50 and older.</li><li>• Total employer contributions to the plan cannot exceed 25% of total eligible compensation. (Employer contributions exclude employee deferrals).</li></ul>
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## Safe Harbor 401(k) and super comparability plans

<b>Who can establish</b>	Partnerships, corporations, and nonprofit groups (no government entities)
<b>Key features</b>	<ol style="list-style-type: none"><li>1. Safe Harbor 401(k) permits employers to choose either a 3% profit sharing contribution or a 4% match on a 6% deferral.</li><li>2. Super comparability 401(k) combines the features of a new comparability plan with 401(k) safe harbor provisions.</li><li>3. Employer contribution must be made each year to maintain safe harbor provisions.</li><li>4. Safe harbor contributions satisfy nondiscrimination requirements.</li><li>5. Participant loans are available for either plan if permitted by the plan.</li><li>6. Due to the complexity of the contribution calculation, retirement plan administrative services are required.</li></ol>
<b>Annual contribution limits</b>	<ul style="list-style-type: none"><li>• Employees can make salary deferrals on a pre-tax basis of up to \$23,000 in 2024. For 2025 it increases to \$23,500. See the IRS chart for catch-contributions if age 50 and older.</li><li>• The maximum contribution limit (employee and employer amounts combined) is \$69,000 for 2024. For 2025 the limit increases to \$70,000. These amounts do not include the catch-up contributions. See the IRS chart for catch-contributions if age 50 and older.</li><li>• Total employer contributions to the plan cannot exceed 25% of total eligible compensation. (Employer contributions exclude employee deferrals.)</li><li>• Maximum eligible compensation is \$345,000 in 2024. For 2025 it increases to \$350,000.</li></ul>

## Traditional profit-sharing plans, age-weighted and new comparability

<b>Who can establish</b>	Self-employed persons, partnerships, corporations, and nonprofit groups
<b>Key features</b>	<ol style="list-style-type: none"><li>1. Profit sharing contribution requirements are set in the plan document. Contributions may be discretionary.</li><li>2. Age-weighted formula is determined by the salary range and age of employees.</li><li>3. New comparability formula groups employees into categories and then bases the formula on each group as governed by nondiscrimination regulations.</li><li>4. Employers may add a 401(k)-salary deferral feature for all plans.</li><li>5. Participant loans are available for all if permitted by the plan.</li><li>6. Vesting schedule is determined by the employer for all plans.</li><li>7. Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administration services are required.</li></ol>
<b>Annual contribution limits</b>	<ul style="list-style-type: none"><li>• For 2024, employers may contribute up to the lesser of 25% compensation or \$69,000. In 2025 it increases to \$70,000.</li><li>• Maximum eligible compensation is \$345,000 in 2024. For 2025 it increases to \$350,000.</li></ul>

403(b) plans	
Who can establish	Nonprofit organizations, public education, nonprofit hospitals, and churches.
Key features	<ol style="list-style-type: none"> <li>1. Employer can deduct amounts that don't exceed 25% of aggregate compensation for participants.</li> <li>2. Permitted to have another 401(a) or 457 qualified plan.</li> </ol>
Annual contribution limits	<ul style="list-style-type: none"> <li>• Employees can make salary deferrals on a pre-tax basis of up to \$23,000 in 2024. For 2025 it increases to \$23,500. See the IRS chart for catch-contributions if age 50 and older.</li> <li>• The maximum contribution limit (employee and employer amounts combined) is the lesser of 100% of compensation or \$69,000 for 2024. For 2025 the limit increases to \$70,000. These amounts do not include the catch-up contributions. See the IRS chart for catch-contributions if age 50 and older.</li> </ul>
Defined benefit plans (single participant or group)	
Who can establish	Self-employed persons, partnerships, corporations, and nonprofit groups.
Key features	<ol style="list-style-type: none"> <li>1. Known benefit amount at retirement.</li> <li>2. Permits higher contribution limits than many other retirement plan options.</li> </ol>
Maximum benefits	100% of average compensation for the three consecutive years in which the participant's compensation was the highest, up to a maximum of \$275,000 for 2024 (it increases to \$280,000 for 2025). Annual contribution requirements must be calculated by an actuary.
Cash balance plans (group)	
Who can establish	Any employer with one or more employees (including self-employed).
Key features	<ol style="list-style-type: none"> <li>1. Known benefit amount at retirement.</li> <li>2. Permits higher contribution limits than many other retirement plan options.</li> <li>3. All contributions are made by the employer – no employee deferrals allowed.</li> </ol>
Maximum benefits	Individual limits are based on the age and compensation of the participant and must be calculated by an actuary.

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