STIFEL

COMMON RETIREMENT PLAN TYPES FOR BUSINESS OWNERS

PLAN TYPES	TYPICALLY USED BY	POSSIBLE BENEFITS	POTENTIAL DRAWBACKS
SEP IRA	**Small businesses or self-employed individuals** looking for a simple plan with relatively high contribution potential and minimal administrative burden	• Easy to setup and maintain • Lower administrative and compliance burden compared to 401(k) plans • Can allow for meaningful contributions depending on income • Flexibile contributions	• Employer contributions only • Contributions must be the same percentage to all participants • No Roth contribution option • Loans are not permitted
SIMPLE IRA	**Small businesses** (‹100 employees) prioritizing low cost and administrative simplicity	• Relatively easy to set up and administer • No nondiscrimination testing • Lower startup and ongoing costs • Straightforward structure	• Lower contribution limits • Loans are not permitted • Mandatory employer contributions annually • Limited flexibility • Roth option impractical due to lack of government guidance
TRADITIONAL 401(k)	**Businesses with employees that want flexibility** in plan design and employee benefit offerings	• Highly recognized benefit for recruiting • Flexible employer match/profit sharing • Higher contribution limits than IRAs • Broad plan design flexibility • Accomodates companies of varying size • Allows for vesting schedules • Roth contribution option	• Subject to nondiscrimination testing • Owners' ability to contribute often limited by testing failure • Administrative complexity & cost
SAFE HARBOR 401(k)	**Owners who want to contribute at higher levels** without being impacted by employee participation	• Eliminates nondiscrimination testing • Allows max deferrals for owners every year • Predictable structure • Strong employee benefit • Roth contribution option	• Mandatory employer contributions regardless of profits • Less flexibility in plan design • Could have higher employer cost commitment
SOLO 401(k)	**Owner-only businesses** looking to maximize contributions and maintain flexibility	• Can allow for higher contribution limits (employee + employer) • Roth contribution option • Loan feature available • Mega Backdoor Roth potential	• Only available if no eligible non-owner employees. • No annual 5500 filings if plan has less than $250,000 • Slightly less admin than a 401(k) with employees • Must convert plan if employees are hired
DEFINED BENEFIT/CASH BALANCE	**High-income owners** focused on putting away large amounts on a tax-deferred basis, often later in their career	• May allow higher potential tax deferral to owners • Flexibilie plan design to benefit owners needs • Accelerated retirement savings later in career	• Viability dependent upon participant demographics • Owners bear 100% of investment and funding risk • Higher administrative complexity • Potential for volatility of funding cost • Contributions may be required (not discretionary) • Costly to administer

This material is for informational purposes only. Plan features, contribution limits, and suitability depend on individual circumstances, including income, workforce composition, and business objectives.

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