



## 401(k) - Simple IRA Comparison for 2025

	401(k)	Simple IRA
Annual Limit per Employee (not including catch-up; annual compensation limit is \$350,000)	\$70,000 (Salary Deferral + Match + Profit Sharing + Forfeitures)	\$27,000 (Salary Deferral) (Match: 3% or 1%, or 2% non-elective not incl.)
Maximum Salary Deferral	\$23,500	\$16,500
Catch-Up Contribution Amount (for Ages 50-59 & 64+)	\$7,500	\$3,500
Super Catch-Up Contribution Amount (for Ages 60-63)	\$11,250	\$5,250
Roth (Post-tax) Contributions	Allowed	Allowed
Company Contribution	Optional*	Mandatory**
Automatic Enrollment *	Required (If established after 12/29/2022)	Not Allowed
Profit Sharing	Allowed	Not Allowed
Cross Tested Profit Sharing (Allows for certain owners/employees to receive larger share)	Allowed	Not Allowed
Vesting Schedules (Vesting is used to reward long term employees for their loyalty. When a vesting schedule is in place, and an employee leaves the company, they are entitled to rollover the portion of company contributions allowed based on their tenure and the vesting schedule)	Graded: Up to 6 years Cliff: Up to 3 years	Not Applicable No Vesting Allowed
Loans	Allowed	Not Allowed
Rollovers from Other Plans	Allowed	Allowed (with some restrictions)
Eligibility Requirements (Maximum Restrictions)	1 year of service, 1,000 hours/year, 21 years of age	21 years of age; received at least \$5,000 in any 2 prior years & expected to earn \$5,000 in current year
Minimum / Maximum # of Employees	1 / No Limit	1 / 100
Penalty for Early Withdrawal	10%, plus amount withdrawn is taxable as ordinary income	25% first 2 years, 10% thereafter; plus, amount withdrawn is taxable as ordinary income

\*Matching contributions optional with "Traditional" 401(k). Standard "Safe Harbor" 401(k) requires 100% vesting of either a) 4% match or b) 3% non-elective contribution.

"Safe Harbor" using Automatic Enrollment is a 3.5% match and allows for a 2 year vesting schedule. Safe Harbor is not required for use with Automatic Enrollment.

\*\*Simple IRA company contribution must be either a) 3% match (which may be reduced to 1% 2 out of every 5 years) or b) 2% contribution to all eligible employees.

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