

Question/Topic	Individual(k)	SEP/IRA	SIMPLE 401(k)	Profit Sharing
<b>Who Can Establish?</b>	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships—“Owner(s) Only,” Partnerships, LLCs, Businesses with “Excludable” Common-Law Employees	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Partnerships, Non-Profit (not eligible for salary deferral)	Employers with no more than 100 employees including sole proprietors and non-profit entities (cannot maintain another qualified plan)	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Partnerships, Non-Profit
<b>Maximum Eligibility Requirements</b>	Employees must be 21 and have one year of service (typically 1,000 hours)	Worked for employer during any period of three of the last immediately preceding five years; however short. At least 21 years of age. \$450 annual compensation.	Employees must be 21 and have one year of service (typically 1,000 hours)	Two years of service (typically, 1,000 hours per year) with immediate vesting and at least 21 years of age
<b>Are Contributions Mandatory?</b>	No	No	<b>Employer</b> —Yes <b>Employee</b> —No	No
<b>Contribution Limits—Employer</b>	The employer’s current year deduction is limited to deferrals plus 25% of compensation paid to all eligible participants. Allocation limited to lesser of 100% of compensation or \$41,000 per participant.	25% of each employee’s compensation (maximum \$41,000). (\$205,000 salary cap)	Match deferrals 1-for-1 up to the first 3% of compensation (maximum match \$6,150) or non-elective contribution of 2% on first \$205,000.	25% of participating payroll. Allocation limited to lesser of 100% of compensation or \$41,000 per participant.
<b>Contribution Limits—Individual</b>	\$13,000 salary deferral limit under IRC Section 402(g)	Employee IRA—\$3,000	\$9,000 salary deferral limit under IRC Section 408(p)	No pre-tax employee contributions
<b>Catch-Up Contributions for Workers Age 50 and Older</b>	\$3,000	\$500—Employee IRA \$3,000—(Existing SAR-SEP)	\$1,500	N/A
<b>When Must the Plan Be Established?</b>	By fiscal year-end (12/31 for calendar year plan). Deferrals not permitted until plan is established.	By tax-filing date plus extensions.	Oct. 1 for existing businesses. As soon as administratively feasible for businesses established after Oct. 1. Deferrals not permitted until plan is established.	By fiscal year-end (12/31 for calendar-year plan).
<b>When Must Contributions Be Made?</b>	<b>Employer</b> —By tax-filing date plus extensions  <b>Employee</b> —As soon as reasonable, but no later than the 15th business day of the month following the month in which the deferrals are withheld	<b>Employer</b> —By tax-filing date plus extensions  <b>Employee</b> —As soon as reasonable, but no later than the 15th business day of the month following the month in which the deferrals are withheld	<b>Employer</b> —By tax-filing date plus extensions  <b>Employee</b> —As soon as reasonable, but no later than the 15th business day of the month following the month in which the deferrals are withheld	By tax-filing date plus extensions
<b>Who Directs Investments?</b>	Individual	Individual	Employer/Trustee or plan may allow individual direction	Employer/Trustee or plan may allow individual direction
<b>Are Loans Available?</b>	Yes	No	Yes	Yes
<b>Vesting</b>	Full & immediate	Full & immediate	Full & immediate	Three vesting schedules: immediate, cliff, graded

# Summary Comparison of Qualified Plans, IRAs and TSAs

2004 limitations included herein; subject to change annually

by Carol Lawton

Money Purchase	401(k)	Defined Benefit	Roth IRA
Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Partnerships, Non-Profit	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Partnerships, Non-Profit	Corporations, Sub-Chapter S, Self-Employed, Sole Proprietorships, Partnerships, Non-Profit	Individual with compensation
Two years of service (typically, 1,000 hours per year) with immediate vesting and at least 21 years of age	Two years of service (typically, 1,000 hours per year) with immediate vesting and at least 21 years of age. For deferrals, maximum service is one year.	Two years of service (typically, 1,000 hours per year) with immediate vesting and at least 21 years of age	Must have earned income of less than \$110,000 for single filers and less than \$160,000 for joint filers
Yes	No	Yes	No
25% of participating payroll. Allocation limited to lesser of 100% of compensation or \$41,000 per participant.	The employer's current year deduction is limited to deferrals plus 25% of compensation paid to all eligible participants. Allocation limited to lesser of 100% of compensation or \$41,000 per participant.	Based on actuarial assumptions ( <i>i.e.</i> , age, compensation, etc.), (\$165,000 Annual Benefit Cap).	N/A
No pre-tax employee contributions	\$13,000 salary deferral limit under IRC Section 402(g)	No pre-tax employee contributions	100% of earned income up to \$3,000 per individual to all IRAs
N/A	\$3,000	N/A	\$500
By fiscal year-end (12/31 for calendar-year plan).	By fiscal year-end (12/31 for calendar-year plan). Deferrals not permitted until plan is established.	By fiscal year-end (12/31 for calendar-year plan).	April 15 following the taxable year for which the contribution is being made ( <i>e.g.</i> , 4/15/2004 for 2003 contribution).
By tax-filing date plus extensions	<b>Employer</b> —By tax-filing date plus extensions  <b>Employee</b> —As soon as reasonable, but no later than the 15th business day of the month following the month in which the deferrals are withheld	By tax-filing date plus extensions	April 15 following the taxable year for which the contribution is being made ( <i>e.g.</i> , 4/15/2004 for 2003 contribution)
Employer/Trustee or plan may allow individual direction	Employer/Trustee or plan may allow individual direction	Employer/Trustee	Individual
Yes	Yes	Yes	No
Three vesting schedules: immediate, cliff, graded	Three vesting schedules: immediate, cliff, graded	Three vesting schedules: immediate, cliff, graded	Full & immediate

WHILE ANNUAL PLAN CONTRIBUTION LIMITS MAY BE INCREASED FROM TIME TO TIME BY CONGRESS AND THE IRS FOR FEDERAL INCOME TAX PURPOSES, THESE LIMITS MAY NEED TO BE ADOPTED BY EACH STATE FOR THE HIGHER LIMITS TO BE EFFECTIVE AT A STATE INCOME TAX LEVEL. IN OTHER WORDS, PERMISSIBLE CONTRIBUTION LIMITS FOR INCOME TAX PURPOSES MAY BE DIFFERENT AT THE FEDERAL LEVEL FROM YOUR STATE'S INCOME TAX LAWS.

Traditional IRA	SIMPLE IRA	403(b) Non-ERISA Title I Plans with Only Salary Deferral Contributions	403(b) ERISA Title I Plans with Employer Contributions
Individual with compensation	Employers with no more than 100 employees who earned \$5,000 or more during preceding calendar year (cannot maintain another retirement plan)	Non-profit organizations exempt under IRC §501(c)(3) (e.g., churches, hospitals and schools)	Non-profit organizations exempt under IRC §501(c)(3) (e.g., churches, hospitals and schools)
Must have earned income and be under the age of 70½	\$5,000 in compensation for any two preceding years and is expected to earn \$5,000 in current years	The option to participate generally must be offered to all eligible employees (except certain student employees and employees who work less than 20 hours per week)	Minimum participation, minimum coverage and nondiscrimination requirements may apply
No	<b>Employer</b> —Yes <b>Employee</b> —No	No	Generally no, but may be designed with employer mandatory contributions
N/A	Match deferral \$1 for \$1 up to 3% of compensation or 2% (subject to \$205,000 salary cap) nonelective contribution.	N/A	The employer's contributions (including elective deferrals) to an employee's account should not be more than the lesser of \$41,000 or 100% of the employee's compensation for the year.
100% of earned income up to \$3,000 per individual to all IRAs	100% of earned income up to \$9,000	100% of compensation or \$13,000, whichever is less (special catch-up provisions may increase the contribution limit)	100% of compensation or \$13,000, whichever is less (special catch-up provisions may increase the contribution limit)
\$500	\$1,500	\$3,000	\$3,000
April 15 following the taxable year for which the contribution is being made (e.g., 4/15/2004 for 2003 contribution).	October 1 for existing businesses. As soon as administratively feasible for businesses established after October 1.	The plan may be established any time during the calendar year.	The plan may be established any time during the calendar year.
April 15 following the taxable year for which the contribution is being made (e.g., 4/15/2004 for 2003 contribution)	<b>Employer</b> —By tax-filing date plus extensions <b>Employee</b> —On a deferral basis	Salary deferral ongoing from payroll	<b>Employer</b> —The plan may be funded any time during the calendar year <b>Employee</b> —Salary deferral ongoing from payroll
Individual	Individual	Individual	Employer/Trustee may allow individual direction
No	No	Yes	Yes
Full & immediate	Full & immediate	Full & immediate	Three vesting schedules: immediate, cliff, graded

Question/Topic	Individual(k)	SEP/IRA	SIMPLE 401(k)	Profit Sharing
<b>Distributions Before Age 59½</b>	10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.	10% tax penalty unless utilizing substantially equal payments, death, disability, medical expenses, exceeding 7.5% of AGI, or purchase of health insurance while employed.	10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.	10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.
<b>Distributions for Ages 59½–70½</b>	No tax penalty	No tax penalty	No tax penalty	No tax penalty
<b>Distributions After Age 70½</b>	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.	Required minimum distributions. (May remove aggregate total from one account.)	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.
<b>How are Distributions Taxed?</b>	Taxed as ordinary income	Taxed as ordinary income	Taxed as ordinary income	Taxed as ordinary income
<b>Eligible Rollovers</b>	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)	One 60-day rollover per 12-month period. Reported as distribution and returned as a rollover contribution	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)
<b>Portability: Rollovers Among Plans</b>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> <li>• Roth IRA*</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>
<b>Advantages</b>	If compensation <\$164,000, deductible contribution is larger than amount allowed under PS or MP plan. Contribution flexibility. Simplified plan administration. No annual 5500 reporting of plans below \$100,000 of assets. Access to loans. Asset consolidation.	Simple to establish and maintain. No annual 5500 filing requirements. Contributions deductible to employer.	Contributions deductible to employer. No discrimination testing. Not subject to top-heavy rules. Some funding responsibility with employees. Deferral reduces taxable income to employee.	Contributions discretionary. Flexibility in plan design. Contributions deductible to employer. Vesting schedules.

Money Purchase	401(k)	Defined Benefit	Roth IRA
10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.	10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.	10% tax penalty unless death, disability, separation from service and receiving substantially equal periodic payments or separating from service after age 55.	10% tax penalty on earnings unless withdrawal is for death, disability, first-time home buyer (\$10,000 lifetime in aggregate to all IRAs), substantially equal periodic payments, certain major medical expenses and certain long-term unemployment expenses.
No tax penalty	No tax penalty	No tax penalty	No tax penalty for "qualified distributions." A distribution is qualified if the Roth IRA has been established for at least five years and one of the following events occurs: attainment of age 59½, disability, death or a first-time home purchase. In any of these cases, the earnings withdrawn are tax-free.
Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.	Required minimum distributions. May not aggregate total. Each plan separate. Not required if still working and 5% or less owner.	No required minimum distributions at any age.
Taxed as ordinary income	Taxed as ordinary income	Taxed as ordinary income	Principal and earnings withdrawn are tax-free
Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½)	Roth IRA to Roth IRA —rules follow the Traditional IRA rollover rules
<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Roth IRA</li> </ul>
Contributions fixed and deductible to employer. Vesting schedules.	Flexibility in plan design. Contributions deductible to employer. Funding responsibility with employees. Deferred amount reduces employee's taxable income. Vesting schedules.	Deductible contribution levels may be substantially higher than other types of retirement plans. Favors older, highly compensated employees. Vesting schedules.	Tax-free growth

Traditional IRA	SIMPLE IRA	403(b) Non-ERISA Title I Plans with Only Salary Deferral Contributions	403(b) ERISA Title I Plans with Employer Contributions
10% tax penalty unless the distribution is because of death, disability, the timely withdrawal of an excess contribution, certain qualified medical or education expenses and first-time home purchases (\$10,000 limit in aggregate to all IRAs). Waived if the distribution is part of a series of substantially equal periodic payments made over the individual's life expectancy.	10% tax penalty unless the distribution is because of death, disability, the timely withdrawal of an excess contribution, certain qualified medical or education expenses and first-time home purchases (\$10,000 limit in aggregate to all IRAs). Waived if the distribution is part of a series of substantially equal periodic payments made over the individual's life expectancy.	10% tax penalty unless over 55 and separated from service (except if self-employed or more than 10% owner), death or disability.	10% tax penalty unless over 55 and separated from service (except if self-employed or more than 10% owner), death or disability.
No tax penalty	No tax penalty	No tax penalty	No tax penalty
Required minimum distributions as late as April 1 following the year in which the individual reaches age 70½.	Required minimum distributions as late as April 1 following the year in which the individual reaches age 70½.	Required minimum distributions, by April 1 of the calendar year in which the participant becomes age 70½, or the calendar year in which he or she retires.	Required minimum distributions, by April 1 of the calendar year in which the participant becomes age 70½, or the calendar year in which he or she retires.
Taxed as ordinary income	Taxed as ordinary income	Taxed as ordinary income	Taxed as ordinary income
Traditional IRA to Traditional IRA. Traditional IRA to Roth IRA; pre-tax dollars are taxed as ordinary income.	<b>Only</b> from one SIMPLE IRA to another SIMPLE IRA, 403(b), 457, SEP/IRA, Roth IRA or a Qualified Plan and Traditional IRA after two years of participation	Must have triggering event (e.g., death, separation from service, disability, age 59½)	Must have triggering event (e.g., death, separation from service, disability, age 59½)
<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> <li>• Roth IRA*</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan**</li> <li>• SIMPLE IRA</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA**</li> <li>• Roth IRA*</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Plan</li> <li>• 403(b) Plan</li> <li>• 457 Governmental Plan</li> <li>• SEP/IRA</li> <li>• IRA</li> </ul>
Tax-deferred growth	Simple to establish and maintain. No annual 5500 filing requirements. Contributions deductible to employer. No discrimination testing. Not subject to top-heavy rules. Some funding responsibility with employees. Deferral reduces taxable income to employee.	Deferred amount reduces employee's taxable income. Special elections may further increase the amounts an employee can defer. Earnings are tax-deferred. Contribution limits are greater than IRAs. Loans may be allowed.	Deferred amount reduces employee's taxable income. Special elections may further increase the amounts an employee can save. Earnings are tax-deferred. Contribution limits are greater than IRAs. Loans may be allowed.

\*Only if the taxpayer's AGI for the tax year does not exceed \$100,000, and the taxpayer is not married filing separately.

\*\*Only after the individual has participated in the SIMPLE plan for two years.

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