

Small Business Plans

FACT SHEET

This chart provides highlights of certain plan type features.

	Solo 401(k)	SIMPLE IRA	SEP IRA
Target Market	Owner and spouses only	No more than 100 employees who earned more than \$5,000 in prior year and self-employed	Small businesses and self-employed
Key Features	Tax-deferred investing; no discrimination testing; investment flexibility	Tax-deferred investing; no discrimination testing; no plan administration fee ; investment flexibility	Easy administration; investment flexibility
Contributors	Employee and Employer	Employee and Employer	Employer only
Roth Contributions	Yes	No	No
Contribution Flexibility	Yes	Very limited	Yes
Maximum Eligibility Requirements	Age 21 with one year of service	Employees earning \$5,000 in current year and any 2 prior years	Age 21 with any service in 3 of last 5 years
Maximum Annual Salary Deferral	\$23,500	\$16,500	Not applicable
Catch Up Contributions (Age 50+)	\$7,500	\$3,500	Not applicable
Catch Up Contributions (Age 60-63) ²	\$11,250	\$5,250	Not applicable
Maximum Annual Employer Contribution	25% of eligible employee compensation up to \$70,000 ¹	100% up to 3% match to participants or 2% to all eligible employees ³	25% of eligible employee compensation up to \$70,000 ¹
Vesting in Employer Contributions	100% immediately	100% immediately	100% immediately
Loans	Yes	No	No
When Established	Anytime prior to tax filing deadline, including extensions	Prior to October 1	Anytime prior to tax filing deadline, including extensions
IRS 5500 Reporting	Yes, once assets exceed \$250,000	No	No

¹ On maximum contributions, compensation is limited to \$350,000 per year. The overall contribution limit is \$70,000 plus any applicable "catch-up."

² Beginning Jan. 1, 2025, 401(k) plan contribution catch-up limits will increase to \$10,000 or 150% of the regular catch-up limit (whichever is greater) for participants aged 60-63. SIMPLE IRA catch-up limits will increase to \$5,000 or 150% of the regular catch-up limit (whichever is greater) for participants aged 60-63.

³ Employers have the option to make an additional nonelective contribution up to a maximum of 10% of the employee's compensation or \$5,000 per year whichever is less. This contribution is in addition to the employer standard contribution (match or nonelective).

Plan Examples

Solo 401(k)

- Owner, age 61 earning \$186,000
 - How much can be contributed?

Employer contribution	\$46,500
Salary deferral	\$23,500
Catch up	\$11,250
Total (44% of Pay)	\$81,250
- Owner Spouse, age 55 earning \$50,000
 - How much can be contributed?

Employer contribution	\$12,500
Salary deferral	\$23,500
Catch up	\$7,500
Total (87% of Pay)	\$43,500

SIMPLE IRA

Name	Salary	Deferral	Match	Total
Owner, Age 61	\$100,000	\$21,750	\$3,000	\$24,750
Owner Spouse, Age 50	\$25,000	\$20,000	\$750	\$20,750
Eligible Employee #1	\$25,000	\$2,000	\$750	\$2,750
Eligible Employee #2	\$21,000	\$0	\$0	\$0
Eligible Employee #3	\$19,000	\$1,000	\$570	\$1,570
Eligible Employee #4	\$17,500	\$0	\$0	\$0
Eligible Employee #5	\$16,000	\$1,000	\$480	\$1,480
Eligible Employee #6	\$13,000	\$0	\$0	\$0
Eligible Employee #7	\$12,500	\$1,000	\$375	\$1,375
Eligible Employee #8	\$10,000	\$0	\$0	\$0
Eligible Employee #9	\$10,000	\$200	\$200	\$400
Eligible Employee #10	\$7,500	\$0	\$0	\$0
Employer Mandatory Matching Contribution Cost for Non-owners			\$2,375	
Owner and Spouse Net Allocations (Salary deferral and Match)			\$45,500	

SEP IRA

- Age 55 earning \$40,000
 - How much can be contributed?
- Employer contribution (25% of pay) | \$10,000

Talk to your financial professional to learn more or contact us at 800.888.2461.

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Withdrawals and other distributions of taxable amounts will be subject to ordinary income tax, and if taken prior to age 59½, a 10% federal tax penalty may apply. A withdrawal charge may also apply.

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