RETIREMENT PLAN COMPARISON

Choosing the right retirement plan for your business

Six of the most common retirement plans, compared in plain English. Start with the snapshot below to narrow your options, review the plan you like in detail, then use the guided questions to confirm the fit.

AT A GLANCE

The five questions most business owners ask first.

Plan	Who funds it	2026 employee deferral limit	Employer contribution	Loans	Form 5500
SEP IRA	Employer	—	Up to 25% (max $72,000)	No	None
SIMPLE IRA	Employee + employer	$17,000	Match up to 3%, or 2% nonelective	No	None
Profit Sharing	Employer	—	Up to 25% (max $72,000)	Yes	Required
401(k)	Employee + employer	$24,500	Up to 25% (combined max $72,000)	Yes	Required
Safe Harbor 401(k)	Employee + employer	$24,500	~4% match (3% + ½ of next 2%)	Yes	Required
Solo 401(k)	Business owner	$24,500	Up to 25% (combined max $72,000)	Allowed	At $250k

THE PLANS IN DETAIL

One plan per card — every detail from the comparison chart, organized so you can read a single plan end to end.

SEP IRA

EMPLOYER FUNDS · NO LOANS · NO FORM 5500

Simple, employer-funded savings with almost no paperwork — a strong first plan for many small businesses.

PLAN FEATURES
Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost.

WHO MAY ESTABLISH
Sole proprietors, partnerships, corporations, nonprofits, and government entities.

WHO CONTRIBUTES
Employer.

ESTABLISHMENT DEADLINE
Tax filing deadline plus extensions.

CONTRIBUTION DEADLINE
Tax filing deadline plus extensions.

CONTRIBUTION LIMIT & REQUIREMENTS
25% of compensation up to $72,000; approximately 20% for sole proprietors (due to the self-employment deduction).

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION
25% of eligible compensation.

MAX. PRE-TAX EMPLOYEE DEFERRAL
Not available.

EMPLOYEE ELIGIBILITY REQUIREMENTS
Age 21 or older, worked three of the last five years and earned at least $800 in each of those years; may exclude union employees and nonresident aliens.

VESTING
100%.

LOAN FEATURES
Not available.

DISTRIBUTIONS
Distributions taken before age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION
None.

ADVANTAGES
Available to all businesses. Provides pre-tax retirement savings and easy administration. No tax filings required.

SIMPLE IRA

Shared employee-and-employer funding for businesses with 100 or fewer employees.

EMPLOYEE + EMPLOYER | ≤100 EMPLOYEES | NO FORM 5500

PLAN FEATURES

Employee- and employer-funded; easy to establish and maintain; no ADP/ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan.

WHO MAY ESTABLISH

Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities.

WHO CONTRIBUTES

Employee and employer.

ESTABLISHMENT DEADLINE

October 1.

CONTRIBUTION DEADLINE

Salary deferrals made each pay period; employer contributions by the tax filing deadline plus extensions.

CONTRIBUTION LIMIT & REQUIREMENTS

Employees can defer up to $17,000; the catch-up contribution is $4,000 for ages 50–59 and $5,250 for ages 60–63. Employer must match dollar for dollar up to 3% of compensation (can be lowered to 1% for two of every five years)[4] OR contribute 2% of compensation as a non-elective contribution.

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION

Either 2% of compensation to all eligible employees, OR a 100% match of the deferral up to 3%[5] of compensation.

MAX. PRE-TAX EMPLOYEE DEFERRAL

$17,000; $21,000 if age 50–59; $22,250 if age 60–63.

EMPLOYEE ELIGIBILITY REQUIREMENTS

Earned at least $5,000 during any two prior years and expected to earn at least $5,000 in the current year; may exclude union employees and nonresident aliens; no age limit restriction.

VESTING

100%.

LOAN FEATURES

Not available.

DISTRIBUTIONS

Distributions taken before age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax (a 25% penalty applies if the distribution is within two years of participation); minimum distributions required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION

None.

ADVANTAGES

Easy to establish and maintain with no annual nondiscrimination testing — a low-cost option for employers with 100 or fewer employees.

Profit Sharing

EMPLOYER FUNDS · LOANS ALLOWED · FORM 5500

Flexible, discretionary employer contributions with control over coverage and timing.

PLAN FEATURES

Employer-funded; allows restricted coverage; allows control over when the money is withdrawn; may allow for loans.

WHO MAY ESTABLISH

Sole proprietors, partnerships, corporations, nonprofits, and government entities.

WHO CONTRIBUTES

Employer.

ESTABLISHMENT DEADLINE

Tax filing deadline plus extensions.

CONTRIBUTION DEADLINE

Tax filing deadline plus extensions.

CONTRIBUTION LIMIT & REQUIREMENTS

25% of compensation up to $72,000; approximately 20% for sole proprietors (due to the self-employment deduction). PSP contributions are discretionary and MPP contributions are required by the percentage specified in the plan document.

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION

25% of eligible compensation.

MAX. PRE-TAX EMPLOYEE DEFERRAL

Not available.

EMPLOYEE ELIGIBILITY REQUIREMENTS

Age 21 or older, worked one year (or two years if 100% immediate vesting); may exclude union employees, nonresident aliens, and employees who work fewer than 1,000 hours per year.[2]

VESTING

Vesting schedule allowed.

LOAN FEATURES

Allowed.

DISTRIBUTIONS

Distributions can only be taken with a triggering event such as death, permanent disability, attainment of the plan's normal retirement age, separation from service, or plan termination; any distribution before age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION

IRS Form 5500 and other ERISA requirements.[37]

ADVANTAGES

Often added to a 401(k), giving the sponsor discretion to contribute up to 25% of total eligible plan compensation. Contribution amounts can vary greatly among owners and eligible employees. Roth contributions and conversions allowed.

401(k)

Employee-driven deferrals with optional employer contributions, loans, and Roth.

EMPLOYEE + EMPLOYER | LOANS ALLOWED | FORM 5500

PLAN FEATURES
Employee-funded with possible employer contribution; allows restricted coverage; allows control over when the money is withdrawn; may allow for loans.

WHO MAY ESTABLISH
Sole proprietors, partnerships, corporations, and nonprofits.

WHO CONTRIBUTES
Employee and employer.

ESTABLISHMENT DEADLINE
Tax filing deadline plus extensions. Plans with employee deferrals must be established by December 31.[1]

CONTRIBUTION DEADLINE
Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by the tax filing deadline plus extensions.

CONTRIBUTION LIMIT & REQUIREMENTS
Employees can defer up to $24,500; the catch-up is $8,000 for ages 50–59 and $11,250 for ages 60–63. Employer contribution of 25% of compensation (approximately 20% for sole proprietors); total combined employer and employee contributions cannot exceed $72,000 (excludes catch-up).

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION
25% of eligible compensation.

MAX. PRE-TAX EMPLOYEE DEFERRAL
$24,500; $32,500 if age 50–59; $35,750 if age 60–63.

EMPLOYEE ELIGIBILITY REQUIREMENTS
Age 21 or older, worked one year; may exclude union employees, nonresident aliens, and employees who work fewer than 1,000 hours per year.[2]

VESTING
100% for employee contributions; vesting schedule allowed for employer contributions.

LOAN FEATURES
Allowed.

DISTRIBUTIONS
Distributions can only be taken with a triggering event such as death, permanent disability, attainment of the plan's normal retirement age, separation from service, or plan termination; any distribution before age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION
IRS Form 5500 and other ERISA requirements.[37]

ADVANTAGES
Provides an effective tax tool and employee benefit with employer control. Roth contributions and conversions allowed.

Safe Harbor 401(k)

Maximize contributions for owners and highly compensated employees while skipping annual testing.

EMPLOYEE + EMPLOYER | NO ANNUAL TESTING | LOANS ALLOWED

PLAN FEATURES

Employee- and employer-funded; allows employers to maximize contributions made by highly compensated employees; mandatory employer contributions; no ADP/ACP nondiscrimination testing.

WHO MAY ESTABLISH

Sole proprietors, partnerships, corporations, and nonprofits.

WHO CONTRIBUTES

Employee and employer.

ESTABLISHMENT DEADLINE

October 1.

CONTRIBUTION DEADLINE

Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by the tax filing deadline plus extensions.

CONTRIBUTION LIMIT & REQUIREMENTS

Employees can defer up to $24,500; the catch-up is $8,000 for ages 50–59 and $11,250 for ages 60–63. Employer typically contributes dollar for dollar on the first 3% and $0.50 on the dollar for the next 2%; other employer contribution options are available; additional non-safe-harbor employer contributions are allowed.

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION

25% of eligible compensation.

MAX. PRE-TAX EMPLOYEE DEFERRAL

$24,500; $32,500 if age 50–59; $35,750 if age 60–63.

EMPLOYEE ELIGIBILITY REQUIREMENTS

Age 21 or older, worked one year; may exclude union employees and nonresident aliens; may not exclude employees due to minimum-hours or last-day rules.

VESTING

100% for both employee and employer contributions; a vesting schedule is allowed for any employer contributions made in addition to the mandatory safe harbor contributions.

LOAN FEATURES

Allowed.

DISTRIBUTIONS

Distributions can only be taken with a triggering event such as death, permanent disability, attainment of the plan's normal retirement age, separation from service, or plan termination; any distribution before age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION

IRS Form 5500 and other ERISA requirements.[37]

ADVANTAGES

Great for small, family-owned businesses that wish to avoid ADP/ACP and Top-Heavy nondiscrimination tests. Roth contributions and conversions allowed.

Solo 401(k)

OWNER ONLY · NO EMPLOYEES · LOANS ALLOWED

The self-employed owner with no employees who wants to contribute the most possible.

PLAN FEATURES

The self-employed individual is both the employee and the employer and deducts both the elective deferral and the employer contribution. Maximizes contributions compared to a SEP IRA, especially when self-employment income is limited. No annual testing required.

WHO MAY ESTABLISH

All businesses with no common-law employees.

WHO CONTRIBUTES

Individual business owner.

ESTABLISHMENT DEADLINE

Prior to fiscal year end. For plans established after 12/31/19, up to the due date of the tax return without extensions.[1]

CONTRIBUTION DEADLINE

Elective deferrals can be made up to the due date of the return (without extensions). Employer contributions may be made up to the extended due date of the tax return.[7]

CONTRIBUTION LIMIT & REQUIREMENTS

Employees can defer up to $24,500; the catch-up is $8,000 for ages 50–59 and $11,250 for ages 60–63. Employer contribution of 25% of compensation (approximately 20% for sole proprietors); total combined employer and employee contributions cannot exceed $72,000 (excludes catch-up).

MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION

Employer contribution of 25% of compensation (approximately 20% for sole proprietors). Total combined employer and employee contributions cannot exceed $72,000 (excludes catch-up).

MAX. PRE-TAX EMPLOYEE DEFERRAL

$24,500; $32,500 if age 50–59; $35,750 if age 60–63.

EMPLOYEE ELIGIBILITY REQUIREMENTS

Varies depending on situation. No age or income restrictions. The business owner cannot have employees.

VESTING

Vesting schedule allowed but generally not used.

LOAN FEATURES

Allowed.

DISTRIBUTIONS

Distributions can only be taken with a triggering event such as death, permanent disability, attainment of the plan's normal retirement age, separation from service, or plan termination; any distribution before age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 73. Exceptions to the 10% penalty may apply.[6] The distribution, which is still subject to tax, may be repaid to the retirement account.

PLAN ADMINISTRATION

An EIN is required to establish a plan. Annual filing of IRS Form 5500 is required once the plan's assets reach $250,000 at the end of the plan year, or when the plan is terminated. Not subject to ERISA rules.

ADVANTAGES

Allows sole proprietors to contribute maximum deferrals plus 20–25% of their income to a bankruptcy-proof trust. No tax filings until assets reach $250k.

WHICH PLAN IS RIGHT FOR YOU?

Four questions to talk through with your advisor. Your answers point toward the plans worth a closer look.

1 Will the employer accept a mandatory funding requirement?

Yes — a minimum level

Employer funds generally 3%–25% of total eligible payroll; wants minimum mandatory funding.

Consider: Profit Sharing, 401(k), Safe Harbor 401(k), SEP, or SIMPLE IRA

No

Employer funds generally under 3% of payroll; wants discretionary contributions and/or employee deferrals.

Consider: Profit Sharing, 401(k), or SEP IRA

Yes — a high level

Consistent, high level of employer funds available; willing to accept mandatory funding.

Consider: Defined Benefit plan, 412(i) Plan, or Target Benefit Plan

2 How much does the employer wish to contribute?

$72,000 (2026) per key employee

Consider: Safe Harbor 401(k)

More than 3% (but under $72,000)

Consider: Profit Sharing, 401(k), SIMPLE IRA, or SEP

Less than 3% of compensation

Consider: Profit Sharing or SEP IRA

3 Who is the targeted group to benefit?

Owners & key employees over $160,000

Consider: Safe Harbor 401(k)

Rank-and-file at $160,000 or less

Consider: Profit Sharing with a 401(k) feature, SIMPLE IRA, or SEP IRA

All employees — no key group

Consider: Any of the common plan types

4 What is the tolerance for administration and set-up costs?

Low

Consider: SIMPLE IRA or SEP IRA

Medium

Consider: Profit Sharing or Safe Harbor 401(k)

High

Consider: 401(k) or Profit Sharing

2026 ANNUAL CONTRIBUTION LIMITS

How the key IRS figures changed from 2025.

Limit	2025	2026
Employer deduction limit (SEP, MPP, PSP, 401(k))[5]	25% aggregate comp	**25% aggregate comp**
Elective deferral (402(g) limit): 401(k), SARSEP, 457, 403(b)	$23,500	**$24,500**
Defined contribution 415 limit (lesser of 100% comp or)	$70,000	**$72,000**
Salary deferral catch-up, age 50–59	$7,500	**$8,000**
Salary deferral catch-up, age 60–63	$11,250	**$11,250**
SIMPLE plan deferral	$16,500	**$16,500**
SIMPLE IRA catch-up, age 50–59	$3,500	**$4,000**
SIMPLE IRA catch-up, age 60–63	$5,250	**$5,250**
Defined benefit 415 limit (max annual benefit at retirement)	$280,000	**$290,000**
Annual compensation cap	$350,000	**$360,000**
SEP participation compensation	$750	**$800**
Highly compensated employee (HCE)	$160,000	**$160,000**
Key employee / officer definition	$230,000	**$235,000**
Social Security taxable wage base	$176,100	**$184,500**

We are here to help.

Every business is different. Feel free to reach out with questions.

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IMPORTANT NOTES

1. [1] The SECURE Act changed the establishment deadline for all 401(k) plans. After 12/31/19, businesses may treat qualified retirement plans adopted before the extended due date of the tax return as established by the last day of the tax year. Except for solo 401(k) plans established before the due date without extensions, only employer contributions are possible that first year.
2. [2] Long-term part-time employees (those who work 500 or more hours in at least three consecutive years beginning 01/01/2021) may contribute to the plan.
3. [3] Owner-only plans are not required to file IRS Form 5500 until assets reach $250,000 or the plan terminates.
4. [4] The employer may reduce the SIMPLE match to 2% or 1% of compensation in two out of five years.
5. [5] A Roth feature that removes employee tax deferral but permits tax-free growth is available for these plans.

6. [6] The IRS allows penalty-free exceptions for specific life events, medical needs, and qualified higher education expenses. For example, new parents may withdraw up to $5,000 within a year of a child's birth or adoption without the 10% penalty tax.
7. [7] A financial statement audit may be required for large plans. Contact your Larson Gross advisor to learn more.
8. [8] Beginning in 2026, employees whose prior-year FICA (Social Security) wages with the plan sponsor exceeded $150,000 (as indexed by the IRS) must make any catch-up contributions as Roth contributions.

This chart is a general summary for informational purposes only and is not tax, legal, or investment advice. Contribution limits and rules are subject to IRS updates. Please consult your Larson Gross advisor for additional details.