Larson Gross

RETIREMENT PLAN COMPARISON · FOR BUSINESSES

2026 plan comparison chart

Six of the most common business retirement plans, side by side. See notes below and reach out to your Larson Gross advisor with questions.

2026	SEP IRA	SIMPLE IRA	Profit Sharing	401(k)	Safe Harbor 401(k)	Solo 401(k)
PLAN FEATURES	Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost.	Employee- and employer-funded; easy to run; no ADP/ACP testing; mandatory employer contributions; employer cannot maintain another plan.	Employer-funded; allows restricted coverage; control over when money is withdrawn; may allow loans.	Employee-funded with possible employer contribution; allows restricted coverage; control over withdrawal timing; may allow loans.	Employee- and employer-funded; helps maximize contributions for highly compensated employees; mandatory employer contributions; no ADP/ACP testing.	The self-employed individual is both employee and employer, deducting the elective deferral and employer contribution. Maximizes contributions vs. a SEP IRA when income is limited. No annual testing.
ADVANTAGES	Available to all businesses. Provides pre-tax retirement savings and easy administration. No tax filings required.	Easy to establish and maintain with no annual nondiscrimination testing — a low-cost option for employers with 100 or fewer employees.	Often added to a 401(k) — sponsor may contribute up to 25% of total eligible compensation. Amounts can vary among owners and employees. Roth contributions and conversions allowed.	An effective tax tool and employee benefit with employer control. Roth contributions and conversions allowed.	Great for small, family-owned businesses that wish to avoid ADP/ACP and Top-Heavy testing. Roth contributions and conversions allowed.	Lets sole proprietors contribute maximum deferrals plus 20–25% of income to a bankruptcy-proof trust. No tax filings until assets reach $250k.
WHO MAY ESTABLISH	Sole proprietors, partnerships, corporations, nonprofits, and government entities.	Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities.	Sole proprietors, partnerships, corporations, nonprofits, and government entities.	Sole proprietors, partnerships, corporations, and nonprofits.	Sole proprietors, partnerships, corporations, and nonprofits.	All businesses with no common-law employees.
ESTABLISHMENT DEADLINE	Tax filing deadline plus extensions.	October 1.	Tax filing deadline plus extensions.	Tax filing deadline plus extensions. Plans with employee deferrals must be established by December 31.[1]	October 1.	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	Tax filing deadline plus extensions.	Salary deferrals each pay period; employer contributions by tax filing deadline plus extensions.	Tax filing deadline plus extensions.	Salary deferrals each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions.	Salary deferrals each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions.	Elective deferrals up to the due date of the return (without extensions). Employer contributions up to the extended due date.[7]

2026	SEP IRA	SIMPLE IRA	Profit Sharing	401(k)	Safe Harbor 401(k)	Solo 401(k)
CONTRIBUTION LIMIT & REQUIREMENTS	25% of compensation up to $72,000; approximately 20% for sole proprietors (self-employment deduction).	Defer up to $17,000; catch-up $4,000 (age 50–59) and $5,250 (age 60–63). Employer must match dollar-for-dollar up to 3%[4] OR 2% nonelective.	25% of compensation up to $72,000; ~20% for sole proprietors. PSP contributions are discretionary; MPP contributions are required by the plan document.	Defer up to $24,500; catch-up $8,000 (50–59) and $11,250 (60–63). Employer contribution of 25% (~20% sole proprietors); combined cannot exceed $72,000 (excludes catch-up).	Defer up to $24,500; catch-up $8,000 (50–59) and $11,250 (60–63). Employer typically matches dollar-for-dollar on the first 3% and $0.50 on the next 2%; other options and additional non-safe-harbor contributions allowed.	Defer up to $24,500; catch-up $8,000 (50–59) and $11,250 (60–63). Employer contribution of 25% (~20% sole proprietors); combined cannot exceed $72,000 (excludes catch-up).
MAX. EMPLOYER DEDUCTIBLE CONTRIBUTION	25% of eligible compensation.	Either 2% of compensation to all eligible employees, OR a 100% match of the deferral up to 3%[5] of compensation.	25% of eligible compensation.	25% of eligible compensation.	25% of eligible compensation.	Employer contribution of 25% (~20% sole proprietors). Combined employer and employee cannot exceed $72,000 (excludes catch-up).
MAX. PRE-TAX EMPLOYEE DEFERRAL	Not available.	$17,000; $21,000 if age 50–59; $22,250 if age 60–63.	Not available.	$24,500; $32,500 if age 50–59; $35,750 if age 60–63.	$24,500; $32,500 if age 50–59; $35,750 if age 60–63.	$24,500; $32,500 if age 50–59; $35,750 if age 60–63.
WHO CONTRIBUTES	Employer.	Employee and employer.	Employer.	Employee and employer.	Employee and employer.	Individual business owner.
EMPLOYEE ELIGIBILITY REQUIREMENTS	Age 21+, worked three of the last five years and earned at least $800 in each; may exclude union employees and nonresident aliens.	Earned at least $5,000 in any two prior years and expected to earn $5,000 this year; may exclude union employees and nonresident aliens; no age limit.	Age 21+, worked one year (or two if 100% immediate vesting); may exclude union employees, nonresident aliens, and those under 1,000 hours/year.[2]	Age 21+, worked one year; may exclude union employees, nonresident aliens, and those under 1,000 hours/year.[2]	Age 21+, worked one year; may exclude union employees and nonresident aliens; may not exclude employees due to minimum-hours or last-day rules.	Varies by situation. No age or income restrictions. The business owner cannot have employees.
VESTING	100%.	100%.	Vesting schedule allowed.	100% for employee contributions; vesting schedule allowed for employer contributions.	100% for employee and employer contributions; vesting schedule allowed for any employer contributions beyond the mandatory safe harbor amount.	Vesting schedule allowed but generally not used.

2026	SEP IRA	SIMPLE IRA	Profit Sharing	401(k)	Safe Harbor 401(k)	Solo 401(k)
DISTRIBUTIONS	Before age 59½ may incur a 10% penalty tax plus ordinary income tax; RMDs required at 73. Exceptions may apply.[6] The distribution, still taxable, may be repaid to the account.	Before age 59½ may incur a 10% penalty tax plus ordinary income tax (25% if within two years of participation); RMDs required at 73. Exceptions may apply.[6] The distribution, still taxable, may be repaid.	Only with a triggering event (death, disability, normal retirement age, separation, or termination); before age 59½ (55 if separated) may incur 10% penalty plus income tax; RMDs may apply at 73. Exceptions may apply.[6] May be repaid.	Only with a triggering event (death, disability, normal retirement age, separation, or termination); before age 59½ (55 if separated) may incur 10% penalty plus income tax; RMDs may apply at 73. Exceptions may apply.[6] May be repaid.	Only with a triggering event (death, disability, normal retirement age, separation, or termination); before age 59½ (55 if separated) may incur 10% penalty plus income tax; RMDs may apply at 73. Exceptions may apply.[6] May be repaid.	Only with a triggering event (death, disability, normal retirement age, separation, or termination); before age 59½ (55 if separated) may incur 10% penalty plus income tax; RMDs may apply at 73. Exceptions may apply.[6] May be repaid.
LOAN FEATURES	Not available.	Not available.	Allowed.	Allowed.	Allowed.	Allowed.
PLAN ADMINISTRATION	None.	None.	IRS Form 5500 and other ERISA requirements.[37]	IRS Form 5500 and other ERISA requirements.[37]	IRS Form 5500 and other ERISA requirements.[37]	An EIN is required. Annual IRS Form 5500 filing once assets reach $250,000 at plan year end, or on termination. Not subject to ERISA.

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% agg. comp	**25% agg. comp**
Elective deferral (402(g)): 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)	$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**

WHICH PLAN IS RIGHT FOR YOU?

Four questions to talk through with your advisor.

1 Will the employer accept a mandatory funding requirement?

Yes, a minimum level: Profit Sharing, 401(k), Safe Harbor 401(k), SEP, or SIMPLE IRA

No: Profit Sharing, 401(k), or SEP IRA

Yes, a high level: Defined Benefit, 412(i), or Target Benefit Plan

2 How much does the employer wish to contribute?

$72,000 (2026) per key employee: Safe Harbor 401(k)

More than 3% (under $72,000): Profit Sharing, 401(k), SIMPLE IRA, or SEP

Less than 3%: Profit Sharing or SEP IRA

3 Who is the targeted group to benefit?

Owners & key employees over $160,000: Safe Harbor 401(k)

Rank-and-file at $160,000 or less: Profit Sharing with a 401(k) feature, SIMPLE IRA, or SEP IRA

All employees — no key group: Any of the common plan types

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

Low: SIMPLE IRA or SEP IRA

Medium: Profit Sharing or Safe Harbor 401(k)

High: 401(k) or Profit Sharing

We are here to help.

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

360.734.4280

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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 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 (500+ 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.
