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23



RETIREMENT PLAN COMPARISON



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WE SIMPLIFY YOUR FINANCES.

SIMPLE-IRA 03-06

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SIMPLE IRA





ADVANTAGES

- ✓ PROVIDES PRE-TAX RETIREMENT SAVINGS AND EASY ADMINISTRATION
- ✓ NO TAX FILINGS REQUIRED



ELIGIBILITY REQUIREMENTS

EMPLOYEES EARNING
\$5,000
IN TWO PRIOR YEARS

< SIMPLE-IRA



TYPICAL PLAN SPONSOR

- ALL BUSINESSES WITH FEWER THAN
- **100** EMPLOYEES



FUNDED BY

EMPLOYEE & EMPLOYER

< SIMPLE-IRA



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

**100% OF COMPENSATION
UP TO \$15,500**

**ADDITIONAL \$3,500 IN CATCH-UP
DEFERRALS IN AGE 50+**



**CHOICE OF TWO
REQUIRED CONTRIBUTIONS:**

1 MATCH

100% UP TO 3% OF COMPENSATION



**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

2 CONTRIBUTION

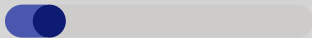
**2% OF COMPENSATION TO ALL ELIGIBLE EMPLOYEES
THE MATCH CAN BE REDUCED IN 2 OUT OF 5 YEARS**

NO ADDITIONAL EMPLOYER CONTRIBUTIONS ARE ALLOWED

< SIMPLE-IRA



**SET-UP
COMPLEXITY INDEX**



LOW

MEDIUM

HIGH



**LOANS
AVAILABLE**

NO



**WHEN TO
SET-UP**

JANUARY 1 -
OCTOBER 1



**VESTING SCHEDULE
AND CONDITIONS**

100%
IMMEDIATE VESTING



SEP

IRA



< SEP-IRA



ADVANTAGES

- ✓ CONTRIBUTIONS ARE TAX DEDUCTIBLE
- ✓ YOU ARE NOT REQUIRED TO MAKE A CONTRIBUTION EACH YEAR
- ✓ LOW ADMINISTRATIVE COSTS



**TYPICAL
PLAN SPONSOR**

**ALL
BUSINESSES**



FUNDED BY

EMPLOYER



**ELIGIBILITY
REQUIREMENTS**

**MAY IMPOSE
AGE 21
WITH ANY SERVICE IN
THREE OUT OF FIVE YEARS**



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

NOT APPLICABLE



**DISCRETIONARY
EMPLOYER CONTRIBUTIONS**

**UP TO 25%
OF ELIGIBLE EMPLOYEE
COMPENSATION**

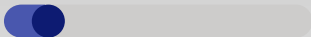
OR \$66,000



**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**



**SET-UP
COMPLEXITY INDEX**



LOW

MEDIUM

HIGH



**LOANS
AVAILABLE**

NO



**WHEN TO
SET-UP**

**ANYTIME PRIOR
TO TAX RETURN FILING**



**VESTING SCHEDULE
AND CONDITIONS**

**100%
IMMEDIATE VESTING**



SOLO 401 (K)



< SOLO 401 (K)



ADVANTAGES

- ✓ **ALLOWS SOLE-PROPRIETORS THE ABILITY TO CONTRIBUTE MAXIMUM DEFERRALS PLUS 20% TO 25% OF THEIR INCOME TO A BANKRUPTCY PROOF TRUST**
- ✓ **NO TAX FILINGS UNTIL ASSETS REACH \$250K**



FUNDED BY

**EMPLOYEE &
EMPLOYER**



TYPICAL PLAN SPONSOR

-
-
-
-

**ALL BUSINESSES
WITH NO COMMON
LAW EMPLOYEES**



ELIGIBILITY REQUIREMENTS

**VARIABLES
DEPENDENT ON
SITUATION**

< SOLO 401 (K)



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

**100% OF INCOME
UP TO \$22,500
IN EMPLOYEE
DEFERRALS (INDEXED)**

**ADDITIONAL \$7,500 IN
CATCH-UP DEFERRALS IF AGE 50+**



25%
**OF EARNED INCOME -
SCHEDULE C INCOME
OR K-1 INCOME**

INCOME IS LIMITED TO \$330K

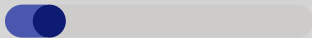


**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

< SOLO 401 (K)



SET-UP COMPLEXITY INDEX



LOW

MEDIUM

HIGH



LOANS AVAILABLE

YES



WHEN TO SET-UP

PRIOR TO FISCAL
YEAR END



VESTING SCHEDULE AND CONDITIONS

100%
IMMEDIATE VESTING



401 (K) PLAN



< 401 (K) PLAN



ADVANTAGES

- ✓ PROVIDES AN EFFECTIVE TAX TOOL AND EMPLOYEE BENEFIT WITH EMPLOYER CONTROL
- ✓ ROTH CONTRIBUTIONS ALLOWED FOR HIGH INCOME TAXPAYERS



TYPICAL PLAN SPONSOR

- ALL BUSINESSES
- EXCEPT GOVERNMENTAL AGENCIES



FUNDED BY
**EMPLOYEE &
EMPLOYER**



ELIGIBILITY REQUIREMENTS

MAY IMPOSE
**AGE 21
AND 1 YEAR OF SERVICE
WITH 1,000 HOURS**

< 401 (K) PLAN



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

**100% OF INCOME
UP TO \$22,500
IN EMPLOYEE
DEFERRALS (INDEXED)**

**ADDITIONAL \$7,500 IN
CATCH-UP DEFERRALS IF AGE 50+**



**25%
OF ELIGIBLE EMPLOYEE
COMPENSATION**

**INDIVIDUAL ELIGIBLE EMPLOYEE
COMPENSATION IS LIMITED TO \$330K (INDEXED).**

**INDIVIDUAL TOTAL CONTRIBUTIONS MAY NOT
EXCEED \$66,000 (INDEXED)**

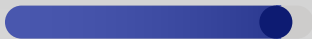


**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

< 401 (K) PLAN



SET-UP COMPLEXITY INDEX



LOW

MEDIUM

HIGH



LOANS AVAILABLE

YES



WHEN TO SET-UP

PRIOR TO FISCAL
YEAR END



VESTING SCHEDULE AND CONDITIONS

VESTING
SCHEDULE AVAILABLE

EMPLOYER CONTRIBUTIONS MAY BE SUBJECT TO REQUIREMENTS SUCH AS 1,000 HOURS OF SERVICE AND/OR EMPLOYMENT ON THE LAST DAY OF THE PLAN YEAR.



SAFE HARBOR 401 (K) PLAN



◀ SAFE HARBOR 401 (K) PLAN



ADVANTAGES

- ✓ GREAT FOR SMALL, FAMILY OWNED BUSINESSES WHO WISH TO AVOID ADP/ACP AND TOP-HEAVY DISCRIMINATION TESTS
- ✓ ROTH CONTRIBUTIONS ALLOWED
- ✓ ROTH CONVERSION ALLOWED



FUNDED BY

**EMPLOYEE &
EMPLOYER**



TYPICAL PLAN SPONSOR

**ALL BUSINESSES
EXCEPT GOVERNMENTAL
AGENCIES**



ELIGIBILITY REQUIREMENTS

**MAY IMPOSE
AGE 21
AND 1 YEAR OF SERVICE
WITH 1,000 HOURS**

< SAFE HARBOR 401 (K) PLAN



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

**100% OF INCOME
UP TO \$22,500
IN EMPLOYEE
DEFERRALS (INDEXED)**

**ADDITIONAL \$7,500 IN
CATCH-UP DEFERRALS IF AGE 50+**



**CHOICE OF ONE SAFE HARBOR
MATCH FORMULA OR SH NON-ELECTIVE:**



**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

- 1A** BASIC MATCH 100% UP TO 3% OF COMPENSATION PLUS 50% OF NEXT 2% OF COMPENSATION
- 1B** ENHANCED MATCH 100% UP TO 4% OF COMPENSATION (THE ENHANCED MATCH IS EASIER TO EXPLAIN AND SETUP ON PAYROLL)
- 2** CONTRIBUTION OF 3% OF COMPENSATION TO ALL ELIGIBLE EMPLOYEES

< SAFE HARBOR 401 (K) PLAN



**SET-UP
COMPLEXITY INDEX**



LOW

MEDIUM

HIGH



**LOANS
AVAILABLE**

YES



**WHEN TO
SET-UP**

VARIES DEPENDING
ON SAFE HARBOR



**VESTING SCHEDULE
AND CONDITIONS**

100%
IMMEDIATE VESTING

ADDITIONAL DISCRETIONARY EMPLOYER CONTRIBUTIONS MAY BE
SUBJECT TO A VESTING SCHEDULE.



PROFIT SHARING PLAN



< PROFIT SHARING PLAN



ADVANTAGES

- ✓ OFTEN ADDED TO A 401K GIVING THE SPONSOR THE DISCRETION TO CONTRIBUTE A TOTAL OF 25% OF ELIGIBLE PLAN COMPENSATION
- ✓ CONTRIBUTION AMOUNTS CAN VARY GREATLY AMONG OWNERS AND ELIGIBLE EMPLOYEES



FUNDED BY
EMPLOYER



TYPICAL
PLAN SPONSOR



ALL
BUSINESSES



ELIGIBILITY
REQUIREMENTS

MAY IMPOSE
AGE 21
AND 1 YEAR OF SERVICE WITH
1,000 HOURS. 2 YEARS IF
100% VESTING

< PROFIT SHARING PLAN



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

NOT APPLICABLE



**DISCRETIONARY
CONTRIBUTIONS**

**UP TO 25%
OF ELIGIBLE EMPLOYEE
COMPENSATION**

**INDIVIDUAL ELIGIBLE EMPLOYEE
COMPENSATION IS LIMITED TO \$330K (INDEXED).**

**INDIVIDUAL TOTAL CONTRIBUTIONS MAY NOT
EXCEED \$66,000 (INDEXED)**



**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

< PROFIT SHARING PLAN



**SET-UP
COMPLEXITY INDEX**



LOW

MEDIUM

HIGH



**LOANS
AVAILABLE**

YES



**WHEN TO
SET-UP**

ANYTIME PRIOR TO
TAX RETURN FILING



**VESTING SCHEDULE
AND CONDITIONS**

**VESTING
SCHEDULE AVAILABLE**

CONTRIBUTIONS MAY BE SUBJECT TO REQUIREMENTS SUCH AS 1,000 HOURS OF SERVICE AND/OR EMPLOYMENT ON THE LAST DAY OF THE PLAN YEAR



CASH BALANCE PLAN

[DEFINED BENEFIT PLAN]





ADVANTAGES

- ✓ **ALLOWS OWNERS WHO ARE 40+ TO CONTRIBUTE MUCH HIGHER CONTRIBUTIONS PER YEAR**
- ✓ **CASH BALANCE CONTRIBUTIONS ARE A DEDUCTION AGAINST BUSINESS INCOME.**
- ✓ **IF A SHAREHOLDER OR PARTNER RECEIVES A K-1, THE INDIVIDUAL'S PERSONAL FEDERAL TAXES CAN BE REDUCED BY A CASH BALANCE CONTRIBUTION.**



**FUNDED BY
EMPLOYER**

< CASH BALANCE PLAN



TYPICAL PLAN SPONSOR

**ALL BUSINESSES
WITH CONSISTENT
PROFIT PATTERNS**

-
-
-
-
-



ELIGIBILITY REQUIREMENTS

**MAY IMPOSE
AGE 21
AND 1 YEAR OF SERVICE
WITH 1,000 HOURS**

< CASH BALANCE PLAN



**MAXIMUM
ANNUAL INDIVIDUAL
CONTRIBUTION**

NOT APPLICABLE



**CONTRIBUTIONS ARE
MANDATORY**

**OWNER CONTRIBUTIONS ARE OFTEN
SET AT A PERCENTAGE OF INCOME
WHICH MAY BE ADJUSTED EVERY 3 TO 5 YEARS**

WAGES ARE LIMITED TO \$330,000 (INDEXED)

**INDIVIDUAL CONTRIBUTION LIMITS UP TO \$265,000
PER PERSON DEPENDING ON AGE AND WAGE**



**MAXIMUM
ANNUAL EMPLOYER
CONTRIBUTION**

< CASH BALANCE PLAN



**SET-UP
COMPLEXITY INDEX**



LOW

MEDIUM

HIGH



**LOANS
AVAILABLE**

YES



**WHEN TO
SET-UP**

**ANYTIME PRIOR TO
TAX RETURN FILING**



**VESTING SCHEDULE
AND CONDITIONS**

**VESTING
SCHEDULE AVAILABLE**

**EMPLOYER CONTRIBUTIONS ARE NOT SUBJECT TO
REQUIREMENTS IN MOST CASES IN ORDER TO PASS THE
DISCRIMINATION TESTS.**