

2020 Retirement Plan Comparison

Whether you're an employer who wants to help your employees work toward a secure retirement, or someone who wants to plan for your own future, this handy guide can help you narrow the focus and zero in on a retirement plan that could work for you in 2020.

| 2020 | Traditional IRA | Roth IRA | SEP | SIMPLE IRA |
|----------------------------------|--|--|---|--|
| Plan Features | Contributions may be tax deductible (if individual falls within income guidelines); can be used in conjunction with any retirement plan | Tax-free growth and distributions (provided certain conditions are met); nondeductible contributions may be made even after age 70½; can be used in conjunction with any retirement plan | Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost | Employee-funded; easy to establish and maintain; no ADP/ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan |
| Who May Establish | Age limit: None Income limit: None | Age limit: None Income limit: \$139,000 for single and \$206,000 for joint | Sole proprietors, partnerships, corporations, nonprofits, government entities | Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities |
| Establishment Deadline | Tax filing deadline (generally April 15) | Tax filing deadline (generally April 15) | Tax filing deadline plus extensions | October 1 |
| Contribution Deadline | Tax filing deadline (generally April 15) | Tax filing deadline (generally April 15) | Tax filing deadline plus extensions | Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extension |
| Contribution Limits/Requirements | Annual contributions of up to \$6,000 or 100% of compensation (whichever is less); catch-up contributions of \$1,000 if age is 50 or older; non-employed spouses may also contribute up to \$6,000 per year if conditions are met (\$7,000 if over 50) | Annual contributions of up to \$6,000 or 100% of compensation (whichever is less); catch-up contributions of \$1,000 if age is 50 or older; non-employed spouses may also contribute up to \$6,000 per year if conditions are met (\$7,000 if over 50) | 25% of compensation up to \$57,000; approximately 20% for sole proprietors (due to self-employment deduction) | Employees can defer up to \$13,500; catch-up contributions of \$3,000 if age 50 or older; employer must match dollar for dollar up to 3% of compensation (can be lowered to 1% for two of every five years) OR 2% of compensation as a non-elective contribution |

| 2020 | Traditional IRA | Roth IRA | SEP | SIMPLE IRA |
|---|--|---|--|---|
| Who Contributes | Individual | Individual | Employer | Employee and Employer |
| Maximum Employee Eligibility Requirements | N/A | N/A | Age 21 or older, worked three of last five years and earned at least \$600 in each of those years; may exclude union employees and nonresident aliens | Earned at least \$5,000 during any two prior years and is expected to earn at least \$5,000 in current year; may exclude union employees and nonresident aliens; no age limit restriction |
| Vesting | 100% | 100% | 100% | 100% for both employee and employer contributions |
| Distributions | Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72,* exceptions to 10% penalty may apply | Tax-free distributions allowed provided certain conditions are met; no minimum distributions required at age 72 | Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72;* exceptions to 10% penalty may apply | Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax (25% penalty applies if distribution is within two years of participation); minimum distributions required at 72;* exceptions to 10% penalty may apply |
| Loan Features | Not available | Not available | Not available | Not available |
| Plan Administration | None | None | None | None |

**The change to age 72 will apply to anyone who turns 70 ½ after 12/31/2019. Those who turned 70 ½ prior to 1/1/2020 will need to take required minimum distributions under the old rules.*