

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	Profit Sharing/Money Purchase	403(b)(7)¹/Roth 403(b)(7)	401(k)/Roth 401(k)	Safe Harbor 401(k)/Roth Safe Harbor 401(k)	Individual K/Roth Individual K
Plan Features	Employer-funded; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Primarily employee-funded; easy to establish and maintain; pre-tax contributions may reduce employee's current taxable income	Employee-funded with possible employer contribution; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Employee- and employer-funded; allows employers to maximize contributions made by highly compensated employees; mandatory employer contributions; no ADP/ACP discrimination testing	Employee- and employer-funded; allows control over when the money will be withdrawn; may allow for loans; designed specifically for owner-only businesses
Who May Establish	Sole proprietors, partnerships, corporations, nonprofits, government entities	Public schools and 501(c)(3) organizations	Sole proprietors, partnerships, corporations, nonprofits	Sole proprietors, partnerships, corporations, nonprofits	Employer-only businesses including sole proprietors, partnerships, corporations, and nonprofits (may employ spouse)
Establishment Deadline	Tax filing deadline plus extensions	Plan year-end, usually December 31 for calendar year plans	Tax filing deadline plus extensions	October 1	Tax filing deadline plus extensions

2020	Profit Sharing/Money Purchase	403(b)(7)¹/Roth 403(b)(7)	401(k)/Roth 401(k)	Safe Harbor 401(k)/Roth Safe Harbor 401(k)	Individual K/Roth Individual K
Contribution Deadline	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	25% of compensation up to \$57,000; approximately 20% for sole proprietors (due to self-employment deduction); PSP contributions are discretionary and MPP contributions are required by percentage specified in plan document	Employees can defer up to \$19,500; catch-up contributions of \$6,500 if age 50 or older; employer contribution of 25% of compensation; total combined employer and employee contributions cannot exceed \$57,000 (excludes catch-up contribution); long-tenured catch-up contribution for employees of 15 years or more with same employer	Employees can defer up to \$19,500; catch-up contributions of \$6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed \$57,000 (excludes catch-up contribution)	Employees can defer up to \$19,500; catch-up contributions of \$6,500 if age 50 or older; 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	Employees can defer up to \$19,500; catch-up contributions of \$6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed \$57,000 (excludes catch-up contribution)

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Who Contributors	Employer	Employee and Employer	Employee and Employer	Employee and Employer	Individual
Maximum Employee Eligibility Requirements	Age 21 or older, worked one year (or two years if 100% immediate vesting); may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	Generally, all employees	Age 21 or older, worked one year; may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	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	N/A
Vesting	Vesting schedule allowed	100%	100% for employee contributions; vesting schedule allowed for employer contributions	100% for both employee and employer contributions; vesting schedule allowed for any employer contributions made in addition to mandatory safe harbor contributions	Vesting schedule allowed but generally not used

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Distributions	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72 ²	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of age 59½, separation from service or plan termination, or hardship; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72 ²	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72 ²	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72 ²	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72 ²
Loan Features	Allowed	Allowed	Allowed	Allowed	Allowed
Plan Administration	IRS Form 5500 and other ERISA requirements ³	IRS Form 5500 and other ERISA requirements if subject to ERISA ³	IRS Form 5500 and other ERISA requirements ³	IRS Form 5500 and other ERISA requirements ³	IRS 5500 EZ when plan assets reach \$250,000

¹ Employer may make matching or discretionary contributions within an ERISA 403(b); ERISA 403(b)s are subjected to ERISA requirements

² The change to age 72 will apply to anyone who turns 70½ after 12/31/2019. Those who turned 70½ prior to 1/1/2020 will need to take required minimum distributions under the old rules.

³ Owner-only plans are not required to file IRS 5500 until assets reach \$250,000 or terminate. Jacobi Capital Management does not provide tax advice. Please consult your tax advisor.