

# The 2023 chart: Retirement plan options

At-a-glance



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Feature	SEP	SIMPLE IRA	Money purchase	Profit sharing	Safe harbor 401(k)	401(k)
<b>Eligible employer</b>	Any employer	Employers who, on any day during the preceding year, have 100 or fewer employees earning \$5,000 or more in compensation. No other plan may be maintained at the same time.	Any employer	Any employer	Any employer	Any employer
<b>Establishment deadline</b>	Employer tax-filing deadline, including extensions	October 1 of current year. Can be later if business is established after October 1.	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	<ul style="list-style-type: none"> <li>New plans must be established three months prior to plan year end. Existing plans must be amended by first day of plan year.</li> <li>October 1 for new plans</li> </ul>	Last day of employer's taxable year
<b>Eligible employees</b>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Employed three of the last five years</li> <li>\$750 annual income</li> </ul> Requires 100% participation of eligible employees.	An employee (including a self-employed individual) who: <ul style="list-style-type: none"> <li>Earned at least \$5,000 in compensation during any two years before the current calendar year, and</li> <li>Expects to receive at least \$5,000 during the current calendar year</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). May be two years if 100% immediate vesting.</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). May be two years if 100% immediate vesting.</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). Profit sharing and match may be two years if 100% immediate vesting.</li> <li>With the passage of the SECURE Act in 2019, long term part-time employees who work at least 500 hours in at least three consecutive years will be eligible to participate in their employers' 401(k) plan, earliest eligibility starting in 2024. SECURE 2.0 Act of 2022 further modifies these rules effective 2025: long term part-time employee eligibility reduces to two consecutive years of at least 500 hours.</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). Profit sharing and match may be two years if 100% immediate vesting.</li> <li>With the passage of the SECURE Act in 2019, long term part-time employees who work at least 500 hours in at least three consecutive years will be eligible to participate in their employers' 401(k) plan, earliest eligibility starting in 2024. SECURE 2.0 Act of 2022 further modifies these rules effective 2025: long term part-time employee eligibility reduces to two consecutive years of at least 500 hours.</li> </ul>

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Feature	SEP	SIMPLE IRA	Money purchase	Profit sharing	Safe harbor 401(k)	401(k)
<b>Contribution limits—employer</b>	Employer's discretion up to 25% of employee's compensation with a maximum of \$66,000 for 2023. If contribution is made, requires 100% participation of eligible employees.	Employer must make either: dollar-for-dollar matching contributions up to 3% of employee compensation, not to exceed \$15,500 per employee for 2023, or contribute 2% of total eligible employee compensation, not to exceed \$6,600 in 2023.	Mandatory employer contribution as specified in plan document. Up to 25% of eligible payroll with a maximum of \$66,000 per employee for 2023.	Employer's discretion up to 25% of eligible payroll. Maximum allocation per employee is \$66,000 for 2023.	Employer must make dollar-for-dollar matching contributions up to 3% of employee compensation and 50 cents on the dollar for the next 2% of employee compensation or contribute 3% of total eligible employee compensation. Additional discretionary profit sharing contributions allowed. Total employer contributions may not exceed 25% of eligible payroll.	Employer's discretion up to 25% of eligible payroll. Can be made as a matching or a profit-sharing contribution. Contributions may continue beyond age 73.
<b>Deadline for employer contribution</b>	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions
<b>Contribution limits—employee</b>	Employees can make a traditional IRA contribution of up to \$6,500 per year (2023), or \$7,500 if age 50 or older, to their SEP account in addition to the employer's SEP contribution.	Employees can defer up to \$15,500 per year (2023), or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional \$3,500.	N/A	N/A	Employees can defer up to \$22,500 per year (2023), or 100% of compensation, whichever is less. Employees who are age 50 and older can defer an additional \$7,500. Employee and employer contributions per employee cannot exceed \$66,000, or \$73,500 if age 50 or older. Safe harbor plan automatically passes the IRS Actual Deferral Percentage (ADP) test.	Employees can defer up to \$22,500 per year (2023), or 100% of compensation, whichever is less. Employees who are age 50 and older can defer an additional \$7,500. Employee and employer contributions per employee cannot exceed \$66,000, or \$73,500 if age 50 or older.
<b>Deductions and deferrals</b>	Deduction for employer. Tax-deferred for employee.	Employer contributions are tax-deductible. Employee contributions are pre-tax and tax-deferred.	Deduction for employer, tax-deferred for employee.	Deduction for employer, tax-deferred for employee.	Employer contributions are tax-deductible. Employee contributions are pre-tax and tax-deferred.	Employer contributions deductible to employer. Employee contributions are pre-tax and tax-deferred.

Feature	SEP	SIMPLE IRA	Money purchase	Profit sharing	Safe harbor 401(k)	401(k)
<b>Vesting</b>	100% vested immediately	100% vested immediately	Several permissible vesting schedules	Several permissible vesting schedules	100% vested immediately on safe harbor contributions, vesting schedule allowed on non-safe harbor profit sharing contributions	Several permissible vesting schedules
<b>Loan provisions<sup>1</sup></b>	No	No	Yes	Yes	Yes	Yes
<b>Testing</b>	Generally not subject to top-heavy testing	No testing	Subject to top-heavy testing	Subject to top-heavy testing	Plan will pass 401(k) ADP and ACP tests if safe harbor rules are followed. Top heavy contributions may also be waived. <sup>2</sup>	Subject to ADP, ACP and top-heavy testing
<b>Distributions</b>	Same as IRA. 10% premature distribution penalty may apply. Must begin distributions at age 73. In-service distributions allowed.	10% premature distribution penalty may apply; penalty is increased to 25% during first two years. Must begin distributions at age 73. In-service distributions allowed.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed. <sup>2</sup> In-service distributions not allowed.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed. <sup>2</sup> In-service distributions available if plan document allows.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed. <sup>3</sup> In-service distributions available if plan document allows.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed. <sup>3</sup> In-service distributions available if plan document allows.



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1. Loan Limits: Maximum of 50% of vested balance up to \$50,000. Payments must be made at least quarterly with level amortization.

2. If the plan uses the 3% non-elective contribution the plan will meet top heavy requirements. Also, the top heavy minimum contribution is waived for plans using the safe harbor matching contribution formula provided there is no allocation of any other employer contributions including reallocation of forfeitures. Such a plan would be exempt from the top heavy rules.

3. Owners of more than 5% of a company must start distributions at age 73.

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