KLAAS 401K | 2025 Comparison of Employer-Sponsored Retirement Plans

	IRA-BASED PLANS			DEFINED CONTRIBUTION PLANS				DEFINED BENEFIT PLANS
	Payroll Deduction IRA	**SEP IRA**	**SIMPLE IRA**	**Profit Sharing**	**Safe Harbor 401(k)**	**Automatic Enrollment 401(k)**	**Traditional 401(k)**	
Key Advantage	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.	Permits employer to make large contributions for employees.	Permits high level of salary deferrals by employees without annual nondiscrimination testing.	Provides high level of participation and permits high level of salary deferrals by employees. Also safe harbor relief for default investments.	Permits high level of salary deferrals by employees.	Provides a fixed, pre-established benefit for employees.
Employer Eligibility	Any employer with one or more employees.	Self-employed individuals taxed as sole proprietors or any employer with one or more employees.	Any employer with 100 or fewer employees that does not currently maintain another retirement plan.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.
Employers Role	Arrange for employees to make payroll deduction contributions. Transmit contributions for employees to IRA. No annual filing requirement for employer.	May use IRS Form 5305-SEP to set up the plan. No annual filing requirement for employer.	May use IRS Form 5304-SIMPLE or 5305-SIMPLE to set up the plan. No annual filing requirement for employer. Bank or financial institution handles most of the paperwork.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. A minimum amount of employer contributions is required. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. May require annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. Requires annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees. Must file annual Form 5500.	No model form to establish this plan. Advice from a financial institution or employee benefit adviser would be necessary. Must file annual Form 5500. An actuary must determine annual contributions.
Contributors to the Plan	Employee contributions remitted through payroll deduction.	Employer contributions only.	Employee salary reduction contributions and employer contributions.	Annual employer contribution is discretionary.	Employee salary reduction contributions and employer contributions.	Employee salary reduction contributions and employer contributions.	Employee salary reduction contributions and employer contributions.	Primarily funded by employer.
Maximum Annual Contribution (per participant) *For annual updates, see irs.gov/retirement-plans.*	$7,000 for 2025. Participants age 50 or over can make additional contributions up to $1,000.	Up to 25% of compensation but no more than $70,000 for 2025.	**Employee:** $16,500 in 2025. Participants age 50 or over can make additional contributions up to $3,500 for 2025. However, if the employer meets certain requirements, the limits increase to $17,600 and $3,850, respectively. **Employer:** Either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 yrs.); or contribute 2% of each eligible employee's compensation. A large employer has add'l reqs to reach higher limits.	The lesser of 100% of compensation or $70,000 for 2025. Employer can deduct amounts that do not exceed 25% of aggregate compensation for all participants.	**Employee:** $23,500 in 2025. Participants age 50 or over can make additional contributions up to $7,500, but those aged 60, 61, 62, or 63 can make up to $11,250 in additional contributions in 2025. **Employer/Employee Combined:** Up to the lesser of 100% of compensation or $70,000 ($77,500 including catch-up contributions) for 2025. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	**Employee:** $23,500 in 2025. Participants age 50 or over can make additional contributions up to $7,500, but those aged 60, 61, 62, or 63 can make up to $11,250 in additional contributions in 2025. **Employer/Employee Combined:** Up to the lesser of 100% of compensation or $70,000 ($77,500 including catch-up contributions) for 2025. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	**Employee:** $23,500 in 2025. Participants age 50 or over can make additional contributions up to $7,500, but those aged 60, 61, 62, or 63 can make up to $11,250 in additional contributions in 2025. **Employer/Employee Combined:** Up to the lesser of 100% of compensation or $70,000 ($77,500 including catch-up contributions) for 2025. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	Annually determined contribution. Maximum annual benefit for the participant at retirement is 100% of the average highest compensation for 3 years or $280,000.

Information gathered from irs.gov, where you can obtain additional information.
We provide you this information with the understanding that we are not rendering legal, accounting, or tax advice. Please consult your legal or tax advisor concerning such matters.

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Contributor's Options	Employee can decide how much to contribute at any time.	Employer can decide whether to make contributions year-to-year.	Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's compensation. There are additional requirements for large employers offering the higher contribution limits.	Employer makes contribution as set by plan terms.	Employee can decide how much to contribute based on a salary reduction agreement. The employer must make either specified matching contributions or a 3% contribution to all participants.	Employees, unless they opt otherwise, must make salary reduction contributions specified by the employer. The employer can make additional contributions, including matching contributions as set by plan terms.	Employee can decide how much to contribute based on a salary reduction agreement. The employer can make additional contributions, including matching contributions as set by plan terms.	Employer generally required to make contribution as set by plan terms.
Minimum Employee Coverage Requirements	There is no requirement. Can be made available to any employee.	Must be offered to all employees who are at least 21 years old, employed by the employer for 3 of the last 5 years and had compensation of $750 for 2025.	Must be offered to all employees who have compensation of at least $5,000 in any prior 2 years, and are reasonably expected to earn at least $5,000 in the current year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.
Withdrawals, Loans, and Payments	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax (special rules apply to Roth IRAs). Participant loans are not permitted.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SEP IRAs.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SIMPLE IRAs.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Payment of benefits after a specified event occurs (retirement, plan termination, etc.). Plan may permit loans; early withdrawals subject to an additional tax.
Vesting	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	May vest over time according to plan terms.	Employee salary reduction contributions and all safe harbor employer contributions are immediately 100% vested. Some employer contributions may vest over time according to plan terms.	Employee salary reduction contributions are immediately 100% vested. Employer contributions may vest over time according to plan terms.	Employee salary reduction contributions are immediately 100% vested. Employer contributions may vest over time according to plan terms.	May vest over time according to plan terms.

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