

COMPARE THE DIFFERENT TAX ADVANTAGES OF SEP AND SIMPLE IRAS

>>>	SEP IRA	SIMPLE IRA
HIGHLIGHTS	Simplified Employee Plan (SEP) is a retirement plan that's established by an employer. A SEP IRA permits employers to make deductible contributions which are made to a Traditional IRA.	Savings Incentive Match Plan for Employees (SIMPLE) IRA allows employers to plan for their employees' retirement and their own.
EMPLOYER ELIGIBILITY	Any Employer – best suited for smaller, family-owned businesses or businesses with no employees.	Employer that does not maintain another plan – best suited for small businesses with 100 or fewer employees.
MAXIMUM EMPLOYEE ELIGIBILITY	Age 21, employed by the employer for 3 of the last 5 years & compensation of \$750 – \$345,000 for 2024.	Earned income of at least \$5,000 in any prior 2 years & expected to earn at least \$5,000 in current year.
PLAN CONTRIBUTORS	Employer only	Employee & employer
CONTRIBUTION LIMITS (2024)	25% of employee's compensation up to \$69,000; employer can vary contribution amount each year.	Employees can defer up to \$16,000 (+ \$3,500 if age 50 or older); an employer must make up to 3% matching contribution or 2% nonelective contribution.
TAX ADVANTAGES	<p>Each eligible employee has their own IRA account associated with the SEP.</p> <ul style="list-style-type: none"> Once funded, SEP contributions are 100% vested. IRA contributions may be deductible, depending on AGI². 	<p>Employees can make salary-reduced contributions and receive matching contributions from their employer.</p> <ul style="list-style-type: none"> Once SIMPLE IRAs are funded, the account is 100% vested to the employee. IRA contributions may be deductible, depending on AGI².
DISTRIBUTIONS & PENALTIES	<p>Follows Traditional IRA rules - withdrawals (except non-deductible contributions) are taxed as regular income and can begin without penalty at 59½. A 10% early distribution penalty tax may incur if a withdrawal is made prior to 59½ unless:</p> <ul style="list-style-type: none"> ✓ death or permanent disability ✓ first-time home purchase (\$10,000 maximum) ✓ qualified higher-education expenses ✓ 72(t) periodic payments 	
REQUIRED MINIMUM DISTRIBUTIONS (RMD)	RMDs must be taken beginning at age 73 (applies to individuals who attained age 72 after December 31, 2022).	
ROLLOVER OPTIONS	You can roll assets into any other Traditional IRA as well as a 403(b), governmental 457(b), or other qualified plans. You may also roll into a SIMPLE IRA (after a two-year holding period).	SIMPLE IRAs follow Traditional IRAs, except SIMPLE IRA owners generally must wait for two years from the date of the initial contribution under the plan to consolidate the SIMPLE IRA assets with a Traditional IRA or employer plan. The 10% early distribution penalty tax that applies to taxable distributions prior to age 59½ increases to 25% for the first two years of an employee's participation in the SIMPLE IRA plan.
DEADLINE TO ESTABLISH	Tax filing deadline (including extensions) for the year of the contribution.	To establish a plan for the first time for the tax year 2024, the deadline to sign the plan documents and inform employees is October 1, 2024.
DEADLINE FOR CONTRIBUTIONS	Tax filing deadline (for the business) for the year of the contribution.	<ul style="list-style-type: none"> Employers – the deadline to make matching and nonelective contributions is no later than the business income tax filing deadline. Employees – contributions will be reported in the same tax year they are made. For 2024, the deadline is December 31, 2024.

² Modified Adjusted Gross Income Limits for Traditional and Roth IRAs:

		SINGLE FILER		JOINT FILER	
		Fully Deductible	Partially Deductible	Fully Deductible	Partially Deductible
TRADITIONAL	2024	<\$77,000	\$77,000 - \$87,000	<\$123,000	\$123,000 - \$143,000
	2023	<\$73,000	\$73,000 - \$83,000	<\$116,000	\$116,000 - \$136,000

COMPARE THE DIFFERENT TAX ADVANTAGES OF TRADITIONAL AND ROTH IRAS

>>>	TRADITIONAL IRA	ROTH IRA
HIGHLIGHTS	A Traditional IRA gives individuals the opportunity to direct pretax income towards investments that can grow tax deferred. Another plus is that no capital gains or dividend income is taxed until it is withdrawn.	A Roth IRA gives you the opportunity to set aside after-tax income up to a specified amount each year.
ELIGIBILITY	Anyone with annual earned income may contribute. An IRA can also be funded for a non-wage-earning spouse.	Anyone (no age requirements) with earned income who falls within the Roth AGI ¹ limits may contribute. AGI limits do not apply for Roth conversions in 2010 and later years.
CONTRIBUTION LIMITS (2024)	\$7,000 for 2024 + \$1,000 catch-up contribution if age 50 or older.	
TAX ADVANTAGES	For individuals who are not active participants in an employer-sponsored retirement plan, IRA contributions are fully deductible at any income level. For individuals participating in an employer-sponsored plan, IRA contributions may be deductible, depending on AGI ¹ .	Contributions are not tax deductible, but earnings grow tax-free.
DISTRIBUTIONS	Withdrawals (except non-deductible contributions) are taxed as regular income and can begin without penalty at 59½.	Earnings on the account and withdrawals are tax-free after age 59½. Principle contributions can be withdrawn at any time without penalty if the five-year holding period is met.
EARLY DISTRIBUTION PENALTY	A 10% early distribution penalty tax may incur if a withdrawal is made prior to 59½ unless: <ul style="list-style-type: none"> ✓ death or permanent disability ✓ first-time home purchase (\$10,000 maximum) ✓ qualified higher-education expenses ✓ 72(t) periodic payments 	
REQUIRED MINIMUM DISTRIBUTIONS (RMD)	RMDs must be taken beginning at age 73 (applies to individuals who attained age 72 after December 31, 2022).	RMDs are not required until the death of the accountholder.
ROLLOVER OPTIONS	You can roll assets into your Traditional IRA from other Traditional IRAs as well as from 401(k) plans, 403(b) plans, governmental 457(b) plans, and SIMPLE IRAs (after a two-year holding period).	If you have a designated Roth account in a 401(k), 403(b), or 457(b) plan, you may roll it over tax-free to a Roth IRA. You may also roll over your pre-tax money from an employer plan or a Traditional or SIMPLE IRA (after a two-year holding period) to a Roth IRA. This transaction “converts” pre-tax retirement savings to after-tax Roth savings by paying income taxes (but no tax penalties) on the IRA distribution before rolling over to a Roth IRA. The conversion amount is included in taxable income in the year it is rolled over.
DEADLINE TO ESTABLISH	Tax filing deadline (including extensions) for the year of the contribution.	
DEADLINE FOR CONTRIBUTIONS	Tax filing deadline (including extensions) for the year of the contribution.	

¹ Modified Adjusted Gross Income Limits for Traditional and Roth IRAs:

		SINGLE FILER		JOINT FILER	
		Fully Deductible	Partially Deductible	Fully Deductible	Partially Deductible
TRADITIONAL	2024	<\$77,000	\$77,000 - \$87,000	<\$123,000	\$123,000 - \$143,000
	2023	<\$73,000	\$73,000 - \$83,000	<\$116,000	\$116,000 - \$136,000
ROTH	2024	<\$146,000	\$146,000 - \$161,000	<\$230,000	\$230,000 - \$240,000
	2023	<\$138,000	\$138,000 - \$153,000	<\$218,000	\$218,000 - \$228,000