

The 2021 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)
Eligible employer	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
Establishment deadline	Employer tax-filing deadline, including extensions	October 1 of current year	Employer tax-filing deadline, including extensions	Employer tax-filing deadline, including extensions	New plans must be established three months prior to plan yearend. Existing plans must be amended by first day of plan year.	Last day of employer's taxable year
Eligible employees	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> • Age 21 • Employed three of the last five years • \$600 annual income Requires 100% participation of eligible employees.	An employee (including a self-employed individual) who: <ul style="list-style-type: none"> • Earned at least \$5,000 in compensation during any two years before the current calendar year, and • Expects to receive at least \$5,000 during the current calendar year 	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> • Age 21 • Completion of one year of service (1,000 hours in 12 months). May be two years if 100% immediate vesting. 	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> • Age 21 • Completion of one year of service (1,000 hours in 12 months). May be two years if 100% immediate vesting. 	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> • Age 21 • Completion of one year of service (1,000 hours in 12 months). Profit sharing and match may be two years if 100% immediate vesting. 	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> • Age 21 • With the passage of the SECURE Act at the end of 2020, long-term, parttime employees who work at least 500 hours at least three consecutive years will be eligible to participate in their employers' 401(k) plan, starting in 2024.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Feature	SEP	SIMPLE IRA	Money purchase	Profit sharing	Safe harbor 401(k)	401(k)
Contribution limits—employer	Employer's discretion up to 25% of employee's compensation with a maximum of \$58,000 for 2021. 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 \$13,500 per employee for 2021, or contribute 2% of total eligible employee compensation, not to exceed \$5,800 in 2021.	Mandatory employer contribution as specified in plan document. Up to 25% of eligible payroll with a maximum of \$58,000 per employee for 2021.	Employer's discretion up to 25% of eligible payroll. Maximum allocation per employee is \$58,000 for 2021	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, or both.
Deadline for employer contribution	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
Contribution limits—employee	Employees can make a traditional IRA contribution of up to \$6,000 per year (2021), or \$7,000 if age 50 or older, to their SEP account in addition to the employer's SEP contribution.	Employees can defer up to \$13,500 per year (2021), or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional \$3,000.	N/A	N/A	Employees can defer up to \$19,500 per year (2021), or 100% of compensation, whichever is less. Employees who are age 50 and older can defer an additional \$6,500. Employee and employer contributions per employee cannot exceed \$58,000, or \$64,500 if age 50 or older.	Employees can defer up to \$19,500 per year (2021), or 100% of compensation, whichever is less. Employees who are age 50 and older can defer an additional \$6,500. Employee and employer contributions per employee cannot exceed \$58,000, or \$64,500 if age 50 or older.
Deductions and deferrals	Deduction for employer. Tax-deferred for employee.	Employer contributions deductible to employer, tax-deferred for employee. Employee contributions are pre-tax and tax-deferred.	Deduction for employer, tax-deferred for employee.	Deduction for employer, tax-deferred for employee.	Employer contributions deductible to employer, tax-deferred for employee. Employee contributions are pre-tax and tax-deferred.	Employer contributions deductible to employer, tax-deferred for employee. Employee contributions are pre-tax and tax-deferred.

Feature	SEP	SIMPLE IRA	Money purchase	Profit sharing	Safe harbor 401(k)	401(k)
Vesting	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
Loan provisions¹	No	No	Yes	Yes	Yes	Yes
Testing	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 and will also meet topheavy test requirements	Subject to ADP, ACP and top-heavy testing
Distributions	Same as IRA. 10% premature distribution penalty may apply. Must begin distributions at age 72. In-service distributions allowed.	10% premature distribution penalty may apply; penalty is increased to 25% during first two years. Must begin distributions at age 72. In-service distributions allowed.	10% premature distribution penalties may apply. Must begin distributions at age 72 unless still employed. ² In-service distributions not allowed.	10% premature distribution penalties may apply. Must begin distributions at age 72 unless still employed. ² In-service distributions available if plan document allows.	10% premature distribution penalties may apply. Must begin distributions at age 72 unless still employed. ² In-service distributions available if plan document allows.	10% premature distribution penalties may apply. Must begin distributions at age 72 unless still employed. ² 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. Owners of 5% or more of a company must start distributions at age 72.

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