

**2020**

**Comparison Chart  
Plan Type**

**FRYE RETIREMENT PLANNING**

**SEP**

**401(k) with Safe  
Harbor provisions**

**401(k)**

<b>Employer characteristics</b>	All taxable businesses, but appeals to small employers, government entities & tax-exempts	All taxable businesses Tax-exempt organizations	All taxable businesses Tax-exempt organizations
<b>Who MUST be covered</b>	Any employee who has worked 3 out of the past 5 years, earned \$600 subject to COLA, and is age 21 or older; can exclude certain employees	Any employee with 1,000 hours of service within one year and who is age 21 or older; can exclude certain employees	Any employee with 1,000 hours of service within one year and who is age 21 or older; can exclude certain employees
<b>Maximum annual combined contribution that the employer may deduct</b>	25% of employee's pay or \$57,000 (for each eligible employee), whichever is less	25% of total eligible payroll (maximum eligible pay per employee is \$285,000) plus the amount of elective deferrals contributed	25% of total eligible payroll (maximum eligible pay per employee is \$285,000) plus the amount of elective deferrals contributed
<b>Maximum annual contribution to employee's account</b>	25% of employee's pay or \$57,000, whichever is less	100% of employee's total pay or \$57,000, whichever is less	100% of employee's total pay or \$57,000, whichever is less
<b>Maximum annual employee deferral</b>	No employee contributions allowed	Up to \$19,500; catch-up contribution of \$6,500 if 50 years of age or older	Up to \$19,500; catch-up contribution of \$6,500 if 50 years of age or older
<b>Contribution allocation formulas</b>	Nonintegrated allocation Integrated with Social Security	For non-safe harbor contributions, use the same formulas as 401(k)s	Nonintegrated allocation Integrated with Social Security Cross-tested
<b>Required employer contribution</b>	None; a minimum allocation may be required if a contribution is made and plan is top-heavy	One of the following: Non-elective contribution (3% of pay); or Basic match formula (\$ for \$ up to 3% plus 50% for next 2%); or Enhanced match formula	Discretionary, unless the plan is top-heavy & key employee receives allocation
<b>Vesting</b>	Immediate 100% vesting	Immediate 100% vesting on safe harbor contributions	Vesting schedules available
<b>Testing required ADP=actual deferral % ACP=actual contribution % 415=maximum annual additions</b>	Top-heavy: No ADP: N/A ACP: N/A 415: Yes	<b>If safe harbor only</b> Top-heavy: Generally No* ADP: No ACP: Generally No* 415: Yes *If no PSP contribution	Top-heavy: Yes ADP: Yes ACP: Yes 415: Yes
<b>Deadline for plan establishment</b>	Tax-filing deadline, plus extensions	Generally first day of plan year with proper notice (there are exceptions)	Last day of employer's fiscal year, but not later than commencement of employee contributions
<b>Advantages of this type of plan</b>	Minimal paperwork and expense Minimal tax filing No requirement to make ongoing contributions	No discrimination testing Employee deferral of current taxes available More flexibility with contribution amounts due to increase in deferral limit	Employee deferral of current taxes available Flexible contributions More flexibility with contribution amounts due to increase in deferral limit

**Questions?**

Please contact **Robin Newman, ERPA** - Director of Pension Administration or **Austin Frye, JD, MBA, CFP®**  
(305)-931-3200 [www.fryeretirement.com](http://www.fryeretirement.com)

2020

# FRYE RETIREMENT PLANNING

Comparison Chart  
Plan Type

**Profit Sharing**

**Money Purchase**

**Defined Benefit  
Pension**

<b>Employer characteristics</b>	All taxable businesses Government entities Tax-exempt organizations	All taxable businesses Government entities Tax-exempt organizations	All taxable businesses Government entities Tax-exempt organizations
<b>Who MUST be covered</b>	Any employee with 1,000 hours of service within one year and who is age 21 or older; can exclude certain employees. <b>Note: may use 2 years if fully vested</b>	Any employee with 1,000 hours of service within one year and who is age 21 or older; can exclude certain employees. <b>Note: may use 2 years if fully vested.</b>	Any employee with 1,000 hours of service within one year and who is age 21 or older; can exclude certain employees. <b>Note: may use 2 years if fully vested.</b>
<b>Maximum annual combined contribution that the employer may deduct</b>	25% of total eligible payroll (maximum eligible pay per employee is \$285,000)	25% of total eligible payroll (maximum eligible pay per employee is \$285,000)	Contribution is limited to amount necessary to fund future benefits (maximum eligible pay per employee is \$285,000)
<b>Maximum annual contribution to employee's account</b>	100% of employee's total pay or \$57,000, whichever is less	100% of employee's total pay or \$57,000, whichever is less	No individual accounts
<b>Maximum annual employee deferral</b>	No employee contributions allowed	No employee contributions allowed	No employee contributions allowed
<b>Contribution allocation formulas</b>	Nonintegrated allocation Integrated with Social Security Cross-tested	Nonintegrated allocation Integrated with Social Security Cross-tested	N/A
<b>Required employer contribution</b>	Flexible contribution allowed each year (preset amount not required); however, employer must make "substantial and recurring" contributions	Amount stated in plan document (same percentage contribution required each year)	Contributions based on anticipated payouts during retirement and actuarial assumptions
<b>Vesting</b>	Vesting schedules available	Vesting schedules available	Vesting schedules available
<b>Testing required ADP=actual deferral % ACP=actual contribution % 415=maximum annual additions</b>	Top-heavy: Yes ADP: N/A ACP: N/A 415: Yes	Top-heavy: Yes ADP: N/A ACP: N/A 415: Yes	Top-heavy: Yes ADP: N/A ACP: N/A 415: Yes
<b>Deadline for plan establishment</b>	Last day of employer's fiscal year	Last day of employer's fiscal year	Last day of employer's fiscal year
<b>Advantages of this type of plan</b>	Flexible contributions	Specified level of contributions	Annual benefit on retirement can be as high as 100% of highest three-year average pay, up to \$230,000.

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