

Retirement Plan Comparisons

	PROFIT SHARING PLAN	SEP IRA
Eligible Businesses	Any employer	Any employer
Employer Contribution	Annual discretionary contributions of the lesser of \$66,000 or 100% of compensation (although employers may only deduct up to 25% contribution)	<ul style="list-style-type: none"> • Annual discretionary contribution of the lesser of \$66,000 or 25% of compensation • Max compensation level for 2023 is \$330,000
Salary Deferral Contribution	Not permitted	Not permitted
Catch up Contribution for Participants Age 50+	Not permitted	Not permitted
Eligibility Guidelines	<ul style="list-style-type: none"> • Must include any employee who is age 21 or older and: <ul style="list-style-type: none"> - has completed 1,000 hours of service within one year or - has completed 500 hours of service within three consecutive years • Certain employees can be excluded, such as union members and nonresident aliens with no U.S. income 	<ul style="list-style-type: none"> • Must include any employee who has worked three of the last five years and is age 21 or older • May exclude employees whose annual compensation is less than \$650 per year • Certain employees can be excluded, such as union members and nonresident aliens with no U.S. income
Vesting	Vesting schedule may be established	100% immediate vesting
Loans Permitted	Loans are permitted	No loan provision allowed
Establishment Deadline	Last day of employer's fiscal year	Tax filing deadline plus extensions

Retirement Plan Comparisons

PROFIT SHARING PLAN

SEP IRA

Advantages

- Contributions not mandatory — employer can contribute some years and not others
- Can integrate with Social Security for highly compensated employees
- Employer contributions may be subject to a vesting schedule

- Minimal paperwork
- Contribution flexibility
- Minimal tax filing
- Form 5498 is prepared by IRA custodian

Disadvantages

- IRS filing 5500 required
- No participant salary deferrals permitted — funded solely by employer
- Distributions are subject to qualified plan provisions — not as accessible as a SEP plan

- No vesting schedule
- Unable to exclude part time employees
- No salary deferral contributions permitted

Consider This Plan Type if:

- The company wants discretionary contributions on an annual basis
- The employer wants a vesting schedule and a loan provision
- The key employees are looking for a plan with custom design related to contribution calculations (age weighted, cross tested, SS integration)

- The business is small
- The business is looking for a “single year” contribution
- The business missed the year-end deadline to establish a plan

Davenport & Company LLC Member: NYSE | FINRA | SIPC

One James Center • 901 East Cary Street, Suite 1100 • Richmond, Virginia 23219 | (804) 780-2000 • www.investdavenport.com

The information contained herein has been compiled from a variety of publicly available documents believed to be reliable and is intended to provide information of a general nature. It is not intended to address any particular circumstance. Davenport does not render tax advice or provide any record keeping or reporting for qualified retirement plans. Accordingly, you should consult with your own tax and/or legal professional.

IRAs and other retirement plans may have fees associated with them in addition to costs associated with investing the assets of the IRA or retirement plan. These fees may include, but are not limited to; annual account fees, administrative fees that may include recordkeeping of the plan, legal fees, accounting fees, termination fees, etc. Please consult with your advisor or plan sponsor to learn more about the fees associated with a particular plan.