

Common Retirement Plans for Self-Employed:

The three most common plans for self-employed individuals are SEP IRAs, SIMPLE IRAs, and 401k's. Let's compare these popular retirement savings plans for 2019:

	SEP IRA	SIMPLE IRA	401k – or - SOLO 401k
Maximum Contribution	20% of net SE income, or 25% of W2 wages	\$13,000 (\$16,000 if 50 or older) plus 3% of SE income or W2 wages	\$19,000 (\$25,000 if 50 or older) plus either 20% of SE income or 25% of W2 wages
Due Date to Establish	Due date of tax return	10/1 for first year	12/31 for first year (for a Solo 401k, or else 10/1)
Employee Eligibility	After 3 years of earning \$600 per year	Anyone who earned \$5,000 during either of the prior two year, and is reasonably expected to earn \$5,000 in this calendar year	After working at least 12 months, including 1,000 hours in one year
Funded By Employer Only	Yes	No – employee pays up to \$13,000 (\$16,000 if 50) through salary deferrals	No – employee pays up to \$19,000 (\$25,000 if 50) through salary deferrals
Contribution Per Eligible Employee	Up to 25% of their W-2 wages	Either 2% non-match or up to 3% match on their W-2 wages. (The 3% match can be reduced to 1% for 2 out of 5 years.)	Safe harbor of 3% non-match or 4% match of their W-2 wages, plus additional profit sharing plan contribution to bring total to 25% of W2.
Vesting Schedules	No	No	Yes, on discretionary contributions only. Not on safe harbor contrib. or on employee deferrals
Administrative Costs to Set Up and Maintain	Negligible	Negligible	Up to \$1,500 to set up and then \$1,500 per year to maintain
Annual Filings	No	No	Yes, except for Solo 401k with plan assets under \$250,000

Maximum Annual Contributions for Self-Employed Individuals:

PLAN	On \$20,000 SE Income	On \$50,000 SE Income	On \$100,000 SE Income
SEP	\$4,000	\$10,000	\$20,000
Simple IRA	\$13,500	\$14,500	\$16,000
Solo 401k	\$19,000	\$29,000	\$39,000

*** These amounts are calculated assuming owner is under the age of 50, and does not participate in a 401(k) or 403(b) plan through another employer.*