SEP IRA vs. SIMPLE IRA

2023 comparison chart

Wealth Management

Feature	SEP IRA	SIMPLE IRA
Contribution limits – employer	Employer's discretion; up to 25% of employee's compensation with a maximum of $66,000. Compensation is limited to $330,000 (2023). Contributions may continue beyond age 73.	Employer must make dollar-for-dollar matching contributions up to 3% of employee compensation or contribute 2% of total eligible employee compensation. Compensation is limited to $330,000 (2023) for 2% non-elective contribution.
Contribution limits – employee	Employees can contribute up to $6,500 (2023) for their own IRA to the SEP account in addition to the employer's SEP contribution. A $1,000 (2023) IRA "catch-up" contribution is available for employees over age 50.	Employees can defer up to $15,500 per year (2023) (subject to cost-of-living adjustments), or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional $3,500 (2023).
Establishment deadline	Employer tax-filing deadline, including extensions.	October 1 of current year. Can be later if business is established after October 1.
Deadline for employer contribution	Employer tax-filing deadline, including extensions.	Employer tax-filing deadline, including extensions.
Eligibility	May be less, but cannot exclude employees who: • Are at least 21 years old • Were employed three of last five years • Receive at least $750 annual income Requires 100% participation of eligible employees.	Employees who receive at least $5,000 in compensation in any two preceding years and are expected to receive $5,000 in the current year are eligible. These requirements may be less restrictive.
Vesting	100% vested immediately	100% vested immediately
Loan provisions	None	None
Testing	No testing	No testing
Distributions	10% premature distribution penalties may apply. Must begin at age 73. In-service distributions allowed.	10% premature distribution penalties may apply; penalty is increased to 25% during first two years. Must begin distributions at age 73. In-service distributions allowed.

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