

# SIMPLE IRA vs. safe harbor 401(k) vs. 401(k)

2025 comparison chart



Wealth Management

Feature	SIMPLE IRA	Safe harbor 401(k)	401(k)
<b>Eligible employer</b>	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
<b>Establishment deadline</b>	October 1 of current year. Can be later if business is established after October 1.	<ul style="list-style-type: none"> <li>New plans must be established three months prior to plan year end. Existing plans must be amended by first day of plan year.</li> <li>October 1 for new plans</li> </ul>	Last day of employer's taxable year
<b>Eligible employees</b>	An employee (including a self-employed individual) who: <ul style="list-style-type: none"> <li>Earned at least \$5,000 in compensation during any two years before the current calendar year, and</li> <li>Expects to receive at least \$5,000 during the current calendar year</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). Profit sharing and match may be two years if 100% immediate vesting.</li> <li>With the passage of the SECURE Act in 2019, long term part-time employees who work at least 500 hours in at least three consecutive years will be eligible to participate in their employers' 401(k) plan, earliest eligibility starting in 2024. SECURE 2.0 Act of 2022 further modifies these rules effective 2025: long-term part-time employee eligibility reduces to two consecutive years of at least 500 hours.</li> </ul>	May be less restrictive, but cannot exclude employees who exceed: <ul style="list-style-type: none"> <li>Age 21</li> <li>Completion of one year of service (1,000 hours in 12 months). Profit sharing and match may be two years if 100% immediate vesting.</li> <li>With the passage of the SECURE Act in 2019, long term part-time employees who work at least 500 hours in at least three consecutive years will be eligible to participate in their employers' 401(k) plan, earliest eligibility starting in 2024. SECURE 2.0 Act of 2022 further modifies these rules effective 2025: long term part-time employee eligibility reduces to two consecutive years of at least 500 hours.</li> </ul>
<b>Contribution limits—employer</b>	Employer must make either: dollar-for-dollar matching contributions up to 3% of employee compensation, not to exceed \$16,500 per employee for 2025, or contribute 2% of total eligible employee compensation, not to exceed \$7,000 in 2025.  Employers can make additional (optional) non-elective contributions. Must be offered in a uniform manner and cannot exceed 10% of employee compensation or \$5,000 whichever is less (effective 2024). Please note: to increase employer contributions formal notice to participants is required.	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. Contributions may continue beyond age 73.

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Feature	SIMPLE IRA	Safe harbor 401(k)	401(k)
<b>Deadline for employer contribution</b>	Employer tax-filing deadline, including extensions.	Employer tax filing deadline, including extensions	Employer tax filing deadline, including extensions
<b>Contribution limits—employee</b>	Employees can defer up to \$16,500 per year (2025), or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional \$3,500. Enhanced SIMPLE IRA employee contributions of 110% of limits (for 2025 is \$17,600 and additional \$3,850 for employees 50 and older), automatically available for plans of 1–25 employees. 110% of elective deferral limit allowed for plans 26–100 employees if employer match is 4% or offers 3% non-elective contribution (effective 2024). Please note: to apply the enhanced employee elective deferral limits formal notice to participants is required.	Employees can defer up to \$23,500 per year (2025), or 100% of compensation, whichever is less. Employees who are age 50 and older can defer an additional \$7,500. Employee and employer contributions per employee cannot exceed \$70,000 or \$77,500 if age 50 or older. Safe harbor plan automatically passes the IRS Actual Deferral Percentage (ADP) test.	Employees can defer up to \$23,500 (2025 limit) per year or 100% of compensation, whichever is less. Employees who are age 50 or older can defer an additional \$7,500. Employee and employer contributions per employee cannot exceed \$70,000, or \$77,500 if age 50 or older.
<b>Deductions and deferrals</b>	Employer contributions are tax-deductible. Employee contributions are pre-tax and tax-deferred.	Employer contributions are tax-deductible. Employee contributions are pre-tax and tax-deferred.	Employer contributions deductible to employer. Employee contributions are pre-tax and tax-deferred.
<b>Vesting</b>	100% vested immediately	100% vested immediately on safe harbor contributions. Vesting allowed on non-safe harbor, profit sharing contribution.	Several permissible vesting schedules
<b>Loan provisions<sup>1</sup></b>	None	Yes, if plan document allows	Yes, if plan document allows
<b>Testing<sup>2</sup></b>	No testing required	The safe harbor plan will pass 401(k) ADP and ACP tests if safe harbor rules are followed. Top heavy contributions may also be waived. <sup>2</sup>	Subject to ADP, ACP and top heavy testing
<b>Distributions<sup>3</sup></b>	10% premature distribution penalty may apply; penalty is increased to 25% during first 2 years. Must begin distributions at age 73. In-service distributions allowed.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed <sup>3</sup> . In-service distributions available if plan document allows.	10% premature distribution penalties may apply. Must begin distributions at age 73 unless still employed <sup>3</sup> . 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. If the plan uses the 3% non-elective contribution the plan will meet top heavy requirements. Also, the top heavy minimum contribution is waived for plans using the safe harbor matching contribution formula provided there is no allocation of any other employer contributions including reallocation of forfeitures. Such a plan would be exempt from the top heavy rules.
3. Owners of 5% or more of a company must start required minimum distributions by the April 1 of the year following the year one attains the age 73.

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