Retirement Plan Alternatives for Small Business Owners - 2026

What are you looking to accomplish most in your retirement plan?

Maximizing Contributions

Are you able to make mandatory contributions for yourself and your employees each year?

No

Traditional 401(k) Plan:
- Employee contribute up to $24.5k, additional $8k catch-up for 50+
- *Employer match and/or profit sharing can be discretionary*
- *Owners and Highly Compensated Employee contributions may be limited due to IRS testing*
- *Total Contributions: $72,000*

Yes

How much would owners like to accrue in a year?

Up to $72k

Safe Harbor 401(k) Plan:
- Requires mandatory non-elective contribution of at least 3% or matching contributions ranging from 3.5% to 4%
- Employees can contribute up to $24.5k, additional $8k catch-up for 50+
- Design allows owners and Highly Compensated Employees to maximize deferrals without limitations due to IRS testing
- Additional profit sharing contributions can also be made

Over $72k

Defined Benefit Pension Plan:
- Plans are funded by employer only
- Contributions are based on a mandatory, actuarially calculated amount each year
- May allow significantly higher allocations than a 401(k) Plan
- In some cases, can be paired with a 401(k) plan to further maximize annual accruals

Simplicity And Ease Of Administration

Can you make required contributions each year?

No

Simplified Employee Pension (SEP):
- Employer contributions only
- Discretionary (optional)
- Contributions cannot exceed the lesser of 25% of compensation or *$72k*.

Yes

SIMPLE IRA:
- Typically requires 3% Employer match or 2% non-elective contribution to eligible employees each year
- $17k Max Contribution
- Additional Catch up $4k if 50+
- No more than 100 employees

Defined Contribution Retirement Plan Options

	SEP IRA	SIMPLE IRA	401(k) Plan
Who can contribute?	**Employer Only;** must contribute for all eligible employees	**Employee and Employer**	**Employee** **Employer** (optional)
Maximum employee contribution	**Not Applicable**	**$17,000** with $4,000 catch up if 50 or older	**$24,500** with $8,000 catch up if 50 or older
Employer contributions	**Optional** only way to fund; up to *25%* of eligible compensation with a *$72,000* cap	**Required match of 100%** first 3% of participating employee contributions or 2% of all eligible employee compensation	**Optional** up to *100%* of eligible compensation with a *$72,000* cap
Vesting timing for employer contributions	**Immediate**	**Immediate**	**Graded and Cliff Vesting Schedules Allowed**
Access to funds before age 59 1/2	**10% Penalty for withdrawal**	**25% penalty for withdrawal within first 2 years of participating; 10% thereafter**	**Penalty-free loans or 10% penalty for early withdrawal**
Loans	**No**	**No**	**Optional**