

Appendix 2
Summary of Retirement Plan Options

Issues	Payroll Deduction IRA (or Roth IRA)	SEP-IRA	SIMPLE-IRA	Defined Contribution		Defined Benefit Plan
				Profit Sharing	401(k)	
Key Advantage	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.	Permits employer to create large account balances for employees.	Permits employee to contribute more than in other options. May be combined with employer profit sharing.	Permits employers to contribute more than other plans and provides a fixed, pre-established benefit for employees.
Employers Who Can Provide This Option	Any business.	Any business.	Any business with 100 or fewer employees that does not currently maintain any other retirement plan.	Any business.	Any business.	Any business.
Employer's Responsibilities	Set up arrangements for employees to make payroll deduction contributions. Transmit contributions for employees to funding vehicle. No employer tax filing required.	Set up plan (generally by completing IRS Form 5305-SEP). No employer tax filing required.	Set up plan (generally by completing IRS Form 5304-SIMPLE or 5305-SIMPLE). No employer tax filing required. Bank or financial institution does most of the paperwork.	Prototype plans are often available from investment providers. Advice from a financial institution or employee benefit advisor is necessary. Annual filing of IRS Form 5500 series return generally is required.	There is no IRS model form to establish a plan. Advice from a financial institution or employee benefit advisor is necessary. Annual filing of IRS Form 5500 series return is generally required. May also require special testing [unless the owner and/or spouse is the only employee or a safe-harbor plan is used] to ensure plan does not discriminate in favor of highly compensated employees.	There is no IRS model form to establish a plan. Advice from a financial institution or employee benefit advisor is necessary. Annual filing of IRS Form 5500 series return is required. Actuary must determine funding obligations.
Funding Responsibility	Employee contributions remitted through payroll deduction. Employer contributions are not allowed.	Employer contributions only.	Employee salary reduction contributions and employer contributions.	Employer contribution only.	Employee salary reduction contributions and employer contributions.	Primarily employer; may require or permit employee contributions.
Contributor's Options	Employee can decide how much to contribute at any time.	Employer can decide whether or not to make contributions year to year.	Employee can decide how much salary to defer. Employer must make matching contributions or contribute 2% of each employee's salary up to the set maximum.	Employer makes contributions as set by plan terms. Contributions can be redetermined each year if plan so provides.	Employee decides how much salary to defer up to maximum set by plan. The employer may match.	Employer makes contributions as set by plan terms. Contributions are usually required each year.

Issues	Payroll Deduction IRA (or Roth IRA)	SEP-IRA	SIMPLE-IRA	Defined Contribution		Defined Benefit Plan
				Profit Sharing	401(k)	
Maximum Annual Contribution per Participant for 2009	<i>Employee:</i> Lesser of employee's salary or \$5,000 (\$6,000 if age 50 or older). Roth IRA contributions are not allowed if the employee's income exceeds \$120,000 (\$166,000 for married couples filing a joint return.) <i>Employer:</i> Contributions not allowed.	<i>Employee:</i> Contributions not allowed. <i>Employer:</i> Lesser of 25% of employee's compensation or \$49,000.	<i>Employee:</i> Deferrals limited to lesser of 100% of compensation or \$11,500 (\$14,000 if age 50 or older). <i>Employer:</i> 100% match of deferrals up to 3% of compensation or 2% nonelective contribution on up to \$245,000 of compensation (maximum \$4,900).	<i>Employee:</i> Contributions not allowed. <i>Employer:</i> Lesser of 100% of employee's compensation or \$49,000.	<i>Employee:</i> Deferral limited to \$16,500 (\$22,000 if age 50 or older). <i>Employer/Employee combined:</i> Lesser of 100% of employee's compensation or \$49,000 (increased to \$54,500 if age 50 or older and to the extent an employee catch-up deferral is made).	<i>Employee:</i> Per plan terms, employer may permit or require employee contribution. <i>Employer:</i> Set by plan terms.
Minimum Employee Coverage Requirements	No requirement. This is merely a convenience that can be offered to any or all employees.	Must be offered to all employees who are at least 21 years of age, employed by the business for 3 of last 5 years, and who earn at least \$550 during 2009 with the employer.	Must be offered to all employees who have earned at least \$5,000 in any previous 2 years and are reasonably expected to earn this amount in the current year.	Generally must be offered to all employees at least 21 years of age who have completed at least two years of service.	Generally must be offered to all employees at least 21 years of age who have completed at least two years of service (one year of service for employee elective deferrals).	Generally must be offered to all employees at least 21 years of age who have completed at least two years of service.
Withdrawals, Loans, & Payments	Withdrawals at any time; subject to current federal income taxes and a possible 10% penalty if the participant is under age 59½.	Withdrawals at any time; subject to current federal income taxes and 10% penalty if the participant is under age 59½.	Withdrawals at any time; subject to current federal income tax and, if employee is under age 59½, may be subject to a 25% penalty if taken within the first two years of participation and a 10% penalty if taken afterwards.	May permit loans and hardship withdrawals. Withdrawals subject to current federal income tax and may be subject to a 10% penalty if participant is under age 59½. Benefits generally paid at retirement.	Cannot withdraw employee elective contributions until a specified event, such as reaching 59½, death, separation from service. May permit loans and hardship withdrawals. Withdrawals subject to current federal income tax and may be subject to a 10% penalty if participant is under age 59½. Benefits generally paid at retirement.	Payment of benefits generally at retirement. In-service withdrawals are not permitted.
Vesting	Immediate 100%.	Immediate 100%.	Employee and employer contributions vested 100% immediately.	Within specified limits, may vest over time according to plan terms.	Employee contributions vested immediately. Within specified limits, employer contributions may vest over time according to plan terms.	Within specified limits, may vest over time according to plan terms.