2025 · SHOULD I ESTABLISH A SEP IRA OR A SIMPLE IRA PLAN FOR MY SMALL BUSINESS?





START HERE

Do you have more than 100 employees who earned \$5,000 or more (each) last year?

> Yes No

Consider a SEP IRA. You are not eligible to adopt a SIMPLE IRA plan.

Do you want to allow employee contributions?

Yes No

Consider a SEP IRA, which allows for employer contributions only.

Consider a SIMPLE IRA, deferrals up to the lesser

Consider a SEP IRA. which does not require an employer to make any minimum annual contributions. However, any contributions must be made equally to eligible employees.

(i.e., the lesser of \$5,000 or 10% of employee's

No

Yes

Are you willing and able to make regular annual contributions to employees' accounts?

Do you want to maximize the potential total annual funding of accounts?

> Yes No

Consider a SEP IRA, which allows for employer contributions up to the lesser of 25% of an employee's salary or \$70,000 per year (subject to salary caps).

Consider a SIMPLE IRA, employee deferrals up to Do you want to minimize the number of plan participants?

Yes

Have your employees tended to be seasonal. part-time and/or short-term?

No

No Yes

Consider a SEP IRA, which must be offered to only those employees who are age 21 or older, have worked for you in 3 of the last 5 years, and earn at least \$750 from your business this year.

which must be offered to expected to earn at least

Is it possible that withdrawals might be needed within the first 2 years of participation in the plan?

> Yes No

Consider a SEP IRA. because withdrawals within the first 2 years from a SIMPLE IRA are subject to an early withdrawal penalty of 25% (instead of 10% for a SEP IRA) when taken before age 59.5 (unless an exception applies).

Note that neither a SEP IRA nor a SIMPLE IRA plan allows loans. Contributions are 100% vested, and do not affect your contribution limit for Roth or traditional IRAs (but may affect deductibility of the latter).



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