2024 · COMMON PENSION PLANS FOR SMALL BUSINESS OWNERS

Retirement Plan Services

	TRADITIONAL DEFINED BENEFIT (DB)	CASH BALANCE (DB)	TARGET BENEFIT (DC)	MONEY PURCHASE (DC)
WHAT EMPLOYER IS ELIGIBLE TO OFFER THIS PLAN?	Any employer	Any employer	Any employer	Any employer
WHO CAN PARTICIPATE IN THIS PLAN?	Eligible employees (can be limited to employees age 21 and over, with at least one year of service (1,000 hours) or 2 years of service if 100% vested)[1]	Eligible employees (can be limited to employees age 21 and over, with at least one year of service (1,000 hours) or 2 years of service if 100% vested)[1]	Eligible employees (can be limited to employees age 21 and over, with at least one year of service (1,000 hours) or 2 years of service if 100% vested)[1]	Eligible employees (can be limited to employees age 21 and over, with at least one year of service (1,000 hours) or 2 years of service if 100% vested)[1]
CAN PARTICIPANTS CONTRIBUTE TO THIS PLAN?	The plan may prohibit, permit, or require participant contributions of after-tax dollars	Participants cannot contribute to this plan	Participants cannot contribute to this plan	The plan may prohibit, permit, or require participant contributions of after-tax dollars
HOW ARE MINIMUM ANNUAL CONTRIBUTIONS MADE?	Employer must contribute for each participant an actuarially determined benefit amount per the plan's formula (e.g., flat amount, percentage of earnings, or unit benefit method)	Employer must credit a participant's hypothetical account with pay credits (set monthly dollar amount, % of compensation, or formula based on age and service) and interest credits	Employer must contribute to a participant's account based on an actuarially determined contribution formula to fund a target amount when the participant reaches the plan's normal retirement age	Employer must contribute to a participant's account a fixed minimum percentage of their covered compensation
WHAT IS THE MAXIMUM ANNUAL BENEFIT AMOUNT THAT CAN BE PAID?	The lesser of $275,000 or 100% of participant's average compensation[2] over the highest 3 consecutive years (subject to age and service adjustments)	The lesser of $275,000 or 100% of participant's average compensation[2] over the highest 3 consecutive years (subject to age and service adjustments)	No limit on benefits, see contribution limit below	No limit on benefits, see contribution limit below
WHAT IS THE AGGREGATE ANNUAL CONTRIBUTION LIMIT?	Contributions are limited to the amount needed to fund benefits promised to participants	Contributions are limited to the amount needed to fund benefits promised to participants	Up to the lesser of 25% of total annual compensation of all plan participants, 100% of a participant's compensation[2] or $69,000	Up to the lesser of 25% of total annual compensation of all plan participants, 100% of a participant's compensation[2] or $69,000
MAY LOANS BE PERMITTED?	Yes	Yes	Yes	Yes
HOW ARE BENEFITS PAID?	Plan must offer annuitization options (in most cases) and may offer lump sum	Plan must offer annuitization options (in most cases) and may offer lump sum	Plan must offer annuitization options (in most cases) and may offer lump sum	Plan must offer annuitization options (in most cases) and may offer lump sum

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CAN THE PLAN INTEGRATE WITH SOCIAL SECURITY?	Yes (excess or offset method)	Yes (excess or offset method)	Yes (excess method)	Yes (excess method)
IS THE PLAN SUBJECT TO ANNUAL TESTING?	Yes	Yes	Yes	Yes
WHAT IS THE MOST RESTRICTIVE VESTING SCHEDULE ALLOWED FOR EMPLOYER CONTRIBUTIONS?	Either a 5-year cliff or graduated vesting over 7 years is required. If the plan is top-heavy, the DC vesting schedule must be followed	A 3-year cliff	A 3-year cliff or graduated vesting over 6 years is required	A 3-year cliff or graduated vesting over 6 years is required
IS PBGC INSURANCE REQUIRED?	Yes (unless professional services firm with 25 or fewer active participants)	Yes (unless professional services firm with 25 or fewer active participants)	No	No
WHEN IS THE DEADLINE FOR ESTABLISHING THIS PLAN FOR THIS TAX YEAR?	Generally, the plan must be adopted by the income tax filing deadline including extensions	Generally, the plan must be adopted by the income tax filing deadline including extensions	Generally, the plan must be adopted by the income tax filing deadline including extensions	Generally, the plan must be adopted by the income tax filing deadline including extensions
WHEN IS THE DEADLINE FOR FUNDING EMPLOYER CONTRIBUTIONS FOR THIS TAX YEAR?	Deadlines are dependent on the rules of the plan documents (generally paid in quarterly installments)	Deadlines are dependent on the rules of the plan documents (generally paid in quarterly installments)	Income tax filing deadline including extensions	Income tax filing deadline including extensions
MUST FORM 5500 BE FILED ANNUALLY WITH THE IRS?	Yes (unless owner-only plan with balance of $250,000 or less)	Yes (unless owner-only plan with balance of $250,000 or less)	Yes (unless owner-only plan with balance of $250,000 or less)	Yes (unless owner-only plan with balance of $250,000 or less)
WHAT IS THE BASIS OF THE BENEFIT?	Benefits are a set amount based on an actuarial formula	Benefits equal the hypothetical account balance	Benefits equal the accumulated account balance	Benefits equal the accumulated account balance

***Many factors / features may be modified by the employer. Review plan options and terms.**

[1]Note the changes introduced by Section 112 of the SECURE Act regarding long-term part-time employees.

[2]401(a)(17) compensation limit of $345,000 applies.

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