

	Payroll Deduction IRA	SEP	SIMPLE IRA Plan
Key Advantage	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.
Employer Eligibility	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with 100 or fewer employees that does not currently maintain another retirement plan.
Employer's Role	Arrange for employees to make payroll deduction contributions. Transmit contributions for employees to IRA. No annual filing requirement for employer.	Set up plan by completing IRS Form 5305-SEP. No annual filing requirement for employer.	Set up plan by completing IRS Form 5304-SIMPLE or IRS Form 5305-SIMPLE. No annual filing requirement for employer. Bank or financial institution processes most of the paperwork.
Contributors To The Plan	Employee contributions remitted through payroll deduction.	Employer contributions only.	Employee salary reduction contributions and employer contributions.
Maximum Annual Contribution (Per participant)	\$3,000 for 2002 – 2004; \$4,000 for 2005 – 2007; \$5,000 for 2008. Additional contributions can be made by participants age 50 or over.	Up to 25% of compensation ¹ or a maximum of \$40,000.	Employee: Up to \$7,000 (for 2002) with \$1,000 annual incremental increases until the limit reaches \$10,000 in 2005. Additional contributions can be made by participants age 50 or over. Employer: Either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 yrs.); or contribute 2% of each eligible employee's compensation ² .
Contributor's Options	Employee can decide how much to contribute at any time.	Employer can decide whether to make contributions year-to-year.	Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's compensation. ²
Minimum Employee Coverage Requirements	Should be made available to all employees.	Must be offered to all employees who are at least 21 years of age, employed by the employer for 3 of the last 5 years and had earned income of \$450 (for 2002).	Must be offered to all employees who have earned income of at least \$5,000 in any prior 2 years, and are reasonably expected to earn at least \$5,000 in the current year.
Withdrawals, Loans and Payments	Withdrawals permitted anytime subject to Federal income taxes; early withdrawals subject to tax penalty.	Withdrawals permitted anytime subject to Federal income taxes; early withdrawals subject to tax penalty.	Withdrawals permitted anytime subject to Federal income taxes; early withdrawals subject to tax penalty.
Vesting	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	Employer and employee contributions are immediately vested 100%.

¹ Maximum compensation on which 2002 contribution can be based is \$200,000.

Defined Contribution Plans			Defined Benefit
401(k)	Profit-Sharing	Money Purchase	
Permits higher level of salary deferrals by employees than other retirement vehicles.	Permits employer to make large contributions for employees.	Permits employer to make large contributions for employees.	Provides a fixed, pre-established benefit for employees.
Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.
No model form to establish this plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of Form 5500 is required. Also may require annual non-discrimination testing to ensure plan does not discriminate in favor of highly compensated employees.	No model form to establish this plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of Form 5500 is required.	No model form to establish this plan. Advice from a financial institution or employee benefit advisor may be necessary. Annual filing of Form 5500 is required.	No model form to establish this plan. Advice from a financial institution or employee benefit advisor would be necessary. Annual filing of Form 5500 is required. An actuary must determine annual contributions.
Employee salary reduction contributions and/or employer contributions.	Annual employer contribution is discretionary.	Employer contributions are fixed.	Primarily funded by employer.
Employee: \$11,000 in 2002 with \$1,000 annual incremental increases until the limit reaches \$15,000 in 2006. Additional contributions can be made by participants age 50 or over. Employer/Employee Combined: Contributions per participant up to the lesser of 100% of compensation ¹ or \$40,000. Employer can deduct amounts that do not exceed 25% of aggregate compensation for all participants.	Contributions per participant up to the lesser of 100% of compensation ¹ or \$40,000. Employer can deduct amounts that do not exceed 25% of aggregate compensation for all participants.	Contributions per participant up to the lesser of 100% of compensation ¹ or \$40,000. Employer can deduct amounts that do not exceed 25% of aggregate compensation for all participants.	Actuarially determined contribution.
Employee can elect how much to contribute pursuant to a salary reduction agreement. The employer can make additional contributions, including possible matching contributions, as set by plan terms.	Employer makes contribution as set by plan terms. Employee contributions, if allowed, as set by plan terms.	Employer makes contribution as set by plan terms. Employee contributions, if allowed, as set by plan terms.	Employer generally required to make contribution as set by plan terms.
Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years of age who worked at least 1,000 hours in a previous year.
Withdrawals permitted after a specified event occurs (e.g., retirement, plan termination, etc.). Plan may permit loans and hardship withdrawals; early withdrawals subject to tax penalty.	Withdrawals permitted after a specified event occurs (e.g., retirement, plan termination, etc.). Plan may permit loans; early withdrawals subject to tax penalty.	Payment of benefits after a specified event occurs (e.g., retirement, plan termination, etc.). Plan may permit loans; early withdrawals subject to tax penalty.	Payment of benefits after a specified event occurs (e.g., retirement, plan termination, etc.). Plan may permit loans; early withdrawals subject to tax penalty.
Employee salary deferrals are immediately 100% vested. Employer contributions may vest over time according to plan terms.	Employer contributions may vest over time according to plan terms. Employee contributions, if any, are immediately 100% vested.	Employer contributions may vest over time according to plan terms. Employee contributions, if any, are immediately 100% vested.	Right to benefits may vest over time according to plan terms.

² Maximum compensation on which 2002 employer 2% non-elective contributions can be based is \$200,000.