

## Focus: Retirement plan services

Comparing retirement plans: 2024



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**Choose a plan that meets  
the needs of your employees  
and your organization**

# Retirement plan features

Terms in purple are defined in glossary

	Small businesses		
	SEP IRA	SIMPLE IRA	401(k)
<b>Plan setup and operation</b>			
<b>Who can establish this plan type</b>	Any employer	Any small-business employer (100 or fewer employees)	Any employer except government entities
<b>Eligibility requirements</b>	Any employee who has been employed in three of the last five years, is at least age 21 and has earned at least \$750	Any employee who has earned at least \$5,000 in any of the prior two years and is expected to earn at least \$5,000 in the current year	Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply
<b>Deadline to establish</b>	Tax-filing deadline of employer; plan year is typically calendar year	Between January 1 and October 1; plan year is always calendar year <sup>1</sup>	Before the last day of the fiscal (plan) year. However, participant deferrals cannot be made prior to the adoption date <sup>2</sup>
<b>Plan setup</b>	IRAs must be established for all eligible employees	SIMPLE IRAs must be established for all eligible and/or participating employees	<b>Qualified trust</b> must be established (can be self-trusteed)
<b>Investment decisions</b>	Participant	Participant	Participant
<b>Ongoing maintenance</b>	No annual filings or annual required disclosures from employer	Annual notice to eligible employees	Annual <b>Form 5500</b> filings, annual notices for safe harbor contributions, <b>QDIAs</b> , <b>automatic enrollment</b> , as applicable
<b>Nondiscrimination testing</b>	Nondiscrimination testing not required; <b>top-heavy</b> rules apply	Plan is deemed to meet all nondiscrimination tests	Coverage, general nondiscrimination, <b>ACP</b> , <b>ADP</b> and top-heavy tests apply; if safe harbor requirements are met, plan is deemed to satisfy the ADP and ACP tests and may qualify for top-heavy exemption
<b>Contributions</b>			
<b>Participant contributions</b>	None, except for grandfathered SAR-SEPs (see IRS Publication 560)	Up to <b>\$17,500</b> for employers with 25 or fewer employees <sup>3</sup> Up to <b>\$16,000</b> for employers with 26+ employees unless higher employer contributions are made <sup>4</sup> Up to <b>\$3,500</b> additional catch-up if age 50 or older <sup>3</sup>	Up to \$23,000 Up to \$7,500 additional catch-up if age 50 or older
<b>Employer contributions<sup>5</sup></b>	Discretionary; must be the same percentage for every employee	<b>Mandatory; either a dollar-for-dollar match</b> of up to 3% of compensation, <sup>4,6</sup> <b>or a non-elective contribution</b> of 2% of compensation for all eligible employees. <sup>4</sup> <b>Optional</b> ; a non-elective contribution may be made to each eligible employee, in addition to mandatory employer contributions, in a uniform percentage up to 10% of compensation but not to exceed \$5,000.	Discretionary, unless safe harbor applies (refer to table on page 4)
<b>After-tax contributions</b>	<b>Roth option</b> may be available; check with the plan provider	Roth option may be available; check with the plan provider	Roth option available
<b>Maximum contributions for 2024 (employer and employee)<sup>6</sup></b>	Lesser of 25% of compensation or \$69,000	For matching plans with a \$17,500 participant contribution limit; <b>\$35,000</b> or <b>\$42,000</b> with catch-up; for matching plans with a \$16,000 limit, <b>\$32,000</b> or <b>\$39,000</b> with catch-up.	Lesser of 100% of compensation or \$69,000 (\$76,500 with age-based catch-up contribution)
<b>Distributions</b>			
<b>Participant loans</b>	No	No	Available
<b>Access to contributions</b>	<ul style="list-style-type: none"> <li>Distributions: immediate access</li> <li><b>Vesting</b>: 100% immediate</li> </ul>	<ul style="list-style-type: none"> <li>Distributions: immediate access</li> <li><b>Vesting</b>: 100% immediate</li> </ul>	<ul style="list-style-type: none"> <li>Distributions: restricted, subject to plan's terms</li> <li><b>Vesting</b>: 100% immediate for participant contributions; employer contributions subject to schedule, except as noted in the table on page 4</li> </ul>
<b>Benefit at retirement</b>	Account balance	Account balance	Account balance

## Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

<sup>1</sup> May be established after October 1 for a new business formed after October 1 of the year in which the SIMPLE IRA plan is established.

<sup>2</sup> Generally, safe harbor 401(k) plans require an initial plan year of at least three months, making October 1 the effective deadline for a plan with a fiscal calendar year.

<sup>3</sup> The IRS has not announced the higher deferral and catch-up contribution limits for SIMPLE IRAs for 2024. The statute is unclear as to whether the 2024 limits are rounded down to the nearest \$500 increment. We are showing the limits as if the rounding rules apply. If the rounding rules do not apply, the limits would be higher.

<sup>4</sup> The 2024 employee contribution limits for employers with 26-100 employees who earned at least \$5,000 in the prior year is \$16,000 if the employer makes matching contributions of 3% of compensation or a non-elective contribution of 2%. A higher employee contribution limit of \$17,500 may be available if the employer elects to increase matching contributions to 4% or non-elective contributions to 3%.

<sup>5</sup> When determining employer and employee contributions, the compensation that can be taken into account is limited to \$345,000 for 2024 for all purposes except when determining SIMPLE IRA matching contributions.

<sup>6</sup> Matching contributions may be reduced to a minimum of 1% for no more than two of every five calendar years.

## Retirement plan features (continued)

### Not-for-profit and education organizations

403(b)	Profit-sharing/Money purchase	Defined benefit
501(c)(3) organizations, churches and educational institutions (private and public)	Any employer	Any employer
Generally, any employee ( <i>universal availability</i> rule), although statutory exclusions can apply	Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply	Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply
Before first deferral contribution; plan year can be calendar or fiscal year	Before the due date (including extensions) of the employer's tax return for a particular year	Before the due date (including extensions) of the employer's tax return for a particular year
Qualified custodial accounts or annuity contracts required; retirement income accounts may be used instead for church employees	Qualified trust must be established (can be self-trusteed)	Qualified trust must be established (can be self-trusteed)
Participant	Participant and/or plan sponsor	Plan sponsor only
Annual Form 5500 filings, <sup>7</sup> annual notices for safe harbor contributions, QDIAs and automatic enrollment, as applicable	Annual Form 5500 filings, annual notices for QDIAs, as applicable	Annual Form 5500 filings
Coverage, general nondiscrimination and only ACP tests apply; if safe harbor requirements are met, plan is deemed to meet all nondiscrimination tests <sup>8</sup>	Coverage, general nondiscrimination and top-heavy tests apply	Coverage, general nondiscrimination, top-heavy and minimum participation tests apply
Up to \$23,000 Up to \$7,500 additional catch-up if age 50 or older; qualified participants may have additional catch-up	No	Not available
Discretionary, unless safe harbor applies (refer to table on page 4)	Discretionary if profit-sharing plan; required if money purchase plan	Determined by actuarial formula
Roth option available		
Lesser of 100% of compensation or \$69,000 (\$76,500 with age-based catch-up contributions)	Lesser of 100% of compensation or \$69,000 (up to 25% of compensation is deductible)	Determined by actuarial formula
Available	Available	Available
<ul style="list-style-type: none"> <li>Distributions: restricted, subject to plan's terms</li> <li>Vesting: 100% immediate for participant and, generally, for employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>Distributions: restricted, subject to plan's terms</li> <li>Vesting: subject to schedule</li> </ul>	<ul style="list-style-type: none"> <li>Distributions: restricted, subject to plan's terms</li> <li>Vesting: subject to schedule</li> </ul>
Account balance of custodial account; annuity	Account balance (money purchase plans are required to provide a qualified joint and survivor annuity as a distribution option)	Annuity defined by plan's terms

**Some states and cities require, or are considering requiring, private-sector employers who don't offer workers a retirement plan to join a state-controlled program. Given the specific rules and restrictions of state plans, you may want to consider the traditional plan types outlined here.**

**Choosing the right plan is important, so please consult your financial professional to discuss your options.**

<sup>7</sup> Filings required for not-for-profits subject to ERISA only; not applicable to most churches or governmental employers.

<sup>8</sup> Nondiscrimination testing is not applicable to most churches or governmental employers.

# Safe harbor options and glossary

## Safe harbor contribution options<sup>1</sup>

Plan	Matching contribution <sup>2</sup>	or Nonelective contribution <sup>2</sup>	Vesting	Notice requirement
<b>SIMPLE IRA</b> Safe harbor contribution is required	<ul style="list-style-type: none"> <li>Dollar-for-dollar match of up to 3% of compensation; 3% match may be reduced to as low as 1% in no more than two out of every five years<sup>3</sup></li> </ul>	2% for all eligible employees <sup>3</sup>	100% immediate	Before the 60-day election period begins (before the start of the next plan year)
<b>401(k) or 403(b)</b>	<ul style="list-style-type: none"> <li>Dollar-for-dollar match of up to 3% of compensation and a 50 cents-on-the-dollar match between 3% and 5% of compensation; or</li> <li>Dollar-for-dollar match of up to 4% of compensation; or</li> <li>Other comparable formula</li> </ul>	3% for all eligible employees	100% immediate	No earlier than 90 days and no later than 30 days before the beginning of each plan year. However, plans with only a nonelective safe harbor have no notice requirements.
<b>401(k) or 403(b) with qualified automatic contribution arrangement (QACA)</b> Safe harbor contribution is required	<ul style="list-style-type: none"> <li>Dollar-for-dollar match of up to 1% of compensation and a 50 cents-on-the-dollar match between 1% and 6% of compensation; or</li> <li>Dollar-for-dollar match of up to 3.5% of compensation; or</li> <li>Other comparable formula</li> </ul>	3% for all eligible employees	May be subject to two-year schedule	No earlier than 90 days and no later than 30 days before the beginning of each plan year. However, plans with only a nonelective safe harbor have no notice requirements.

<sup>1</sup> A safe harbor 401(k) plan that meets the safe harbor contribution requirements above is deemed to satisfy the ADP and ACP tests and may qualify for a top-heavy exemption. For a SIMPLE IRA and for a 401(k) or 403(b) plan that also adopts the qualified automatic enrollment feature, either the match or nonelective contribution must be made (as described in the table). For a SIMPLE IRA, no additional contributions can be made.

<sup>2</sup> When determining employer and employee contributions, the compensation that can be taken into account is limited to \$345,000 for 2024 for all purposes except when determining SIMPLE IRA matching contributions.

<sup>3</sup> In order to qualify for the higher participant contribution limit of plans with 25 or fewer employees, plans with 26–100 employees may opt to provide a dollar-for-dollar match of up to 4% of compensation, which may be reduced to as low as 1% in no more than two out of every five years, or 3% nonelective contributions for all eligible employees. Refer to page 2 for more details.

## Glossary

**Automatic enrollment:** An optional feature a plan may adopt that accepts employee contributions. Employees are automatically enrolled in the plan instead of having to sign up to participate. Auto-enroll plans typically involve selection (by the employer) of a default investment in which all contributions are automatically invested (see QDIA) and a default deferral rate, which could increase gradually over time. A “qualified” automatic enrollment arrangement must satisfy minimum deferral rate percentage requirements. Employees can opt out or increase or reduce their savings rate or change their investment mix at any time.

**Form 5500:** An annual report that ERISA plans must file with the Department of Labor to show plan coverage and financial information. Large plans (generally 100 or more participants) must engage an independent auditor each year to prepare a financial statement as part of the Form 5500 filing.

**Nondiscrimination testing:** The following are brief definitions of several key annual nondiscrimination tests that may apply to a plan and be deemed to be met if a 401(k) or 403(b) plan adopts a safe harbor contribution feature (see table above). Other tests (not described here) include coverage, general nondiscrimination and maximum limits, which generally apply to defined contribution (even those with a safe harbor feature) and defined benefit plans, and minimum participation, which applies to defined benefit plans.

• **ACP (actual contribution percentage):**

This test applies to 401(k) and 403(b) plans and uses an average of the matching contributions made to nonhighly compensated employees to limit the matching contributions to highly compensated employees, on average.

• **ADP (actual deferral percentage):**

This test applies to 401(k) and SAR-SEP plans and uses an average percentage of the non-highly compensated employees’ deferral to limit the amount that highly compensated employees may defer on average.

• **Top-heavy:** This test applies to SEP, profit-sharing, money-purchase, 401(k) and defined benefit plans. A plan is considered top-heavy if the total value of all key employees’ accounts is greater than 60% of the total value of *all* employees’ accounts. In this case, the employer must make to the plan a minimum contribution equal to 3% (or the highest allocation made to key employees, if less).

**QDIA (qualified default investment alternative):**

QDIAs provide a safe harbor for plan fiduciaries in situations in which plan participants fail to provide investment instructions. By selecting a default investment that qualifies as a QDIA and meeting other regulatory conditions (e.g., initial and annual notice requirements), employers can benefit from certain fiduciary relief under ERISA §404(c)(5). Only certain types of investments qualify as a QDIA (e.g., managed account, target date fund, balanced fund).

**Qualified trust:** Qualified plan assets must be held in trust. Plan sponsors may choose to act as trustee for the plan or hire a corporate trustee to handle contributions, plan investments and distributions. Use of a corporate trustee by a large plan (generally 100 or more participants) may allow the independent auditor to do a limited-scope audit (lower cost).

**Roth option:** A Roth option may be offered within certain plans. It allows plan participants and/or employers to make after-tax contributions; then, assuming certain requirements are met, earnings may be withdrawn tax-free.

**Vesting:** The process by which a participant in a retirement plan becomes entitled to ownership of the benefit. Depending on the plan’s vesting schedule, participants can become fully vested (own) the benefit immediately or over time (incrementally over no more than six years, or all at once after no more than three years).

# 2024 annual contribution limits at a glance<sup>1,2,3</sup>

<b>SEP IRA (Simplified Employee Pension)</b>	<b>Employer contributions</b> Maximum employer contributions (employee contributions not permitted): lesser of 25% of participant's compensation or \$69,000	<b>\$69,000</b>	
<b>SIMPLE IRA (Savings Incentive Match Plan for Employees)</b>	<b>Total contributions</b> Maximum total participant contributions and mandatory employer contributions <sup>4</sup> (without/with age-based catch-up contributions)	<b>Employers with 25 or fewer employees</b>	<b>Employers with 26-100 employees</b>
		<b>\$35,000 / \$42,000</b>	<b>\$32,000 / \$39,000</b>
	<ul style="list-style-type: none"> <li>• <b>Participant contributions</b> Maximum participant contributions</li> </ul>	<b>\$17,500<sup>5</sup></b>	<b>\$16,000<sup>6</sup></b>
	<ul style="list-style-type: none"> <li>• <b>Participant age-based catch-up contributions</b> Additional contributions for participants age 50 or older</li> </ul>	<b>\$3,500<sup>5</sup></b>	<b>\$3,500<sup>5</sup></b>
	<ul style="list-style-type: none"> <li>• <b>Mandatory employer contributions<sup>4</sup></b> Dollar-for-dollar matching contributions up to:</li> </ul>	<b>3%</b> of compensation	<b>3%</b> of compensation <sup>6</sup>
<b>401(k) and 403(b) plans</b>	<b>Total contributions</b> Maximum total participant and employer contributions (combined): lesser of 100% of participant's compensation or \$69,000 (\$76,500 with age-based catch-up contributions)	<b>\$69,000 / \$76,500</b>	
	<ul style="list-style-type: none"> <li>• <b>Participant contributions</b> Maximum participant contributions</li> </ul>	<b>\$23,000</b>	
	<ul style="list-style-type: none"> <li>• <b>Participant age-based catch-up contributions</b> Additional contributions for participants age 50 or older; certain 403(b) plan participants may contribute more if they meet length-of-service requirements</li> </ul>	<b>\$7,500</b>	
<b>Profit-sharing and money purchase plans</b>	<b>Employer contributions</b> Maximum employer contributions (employee contributions not permitted): lesser of 100% of participant's compensation or \$69,000 (up to 25% of compensation is deductible)	<b>\$69,000</b>	

<sup>1</sup> When participants withdraw before-tax contributions from their plan, that money is subject to ordinary income tax and, if withdrawn before age 59½, may be subject to an additional 10% federal tax penalty (25% penalty if withdrawn from a SIMPLE IRA within the first two years).

<sup>2</sup> Generally, defined contribution plans have a deductible limit of 25% of eligible payroll. Check with your tax advisor for specifics.

<sup>3</sup> When determining employer and employee contributions, the compensation that can be taken into account is limited to \$345,000 for 2024 for all purposes except when determining SIMPLE IRA matching contributions.

<sup>4</sup> Employers can choose to make matching or non-elective contributions; these figures assume matching contributions. Employers also have the option of making additional non-elective contributions. Refer to page 2 for more details.

<sup>5</sup> The IRS has not announced the higher deferral and catch-up contribution limits for SIMPLE IRAs for 2024. The statute is unclear as to whether the 2024 limits are rounded down to the nearest \$500 increment. We are showing the limits as if the rounding rules apply. If the rounding rules do not apply, the limits would be higher.

<sup>6</sup> Employers with 26-100 employees can qualify for the higher \$17,500 participant contribution limit for smaller plans by providing higher employer contributions; refer to page 2 for more details.

# The Capital Advantage<sup>®</sup>

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System<sup>™</sup> – has resulted in superior outcomes.

## Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment industry experience, including 22 years at our company, reflecting a career commitment to our long-term approach.<sup>1</sup>

## The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

## American Funds' superior outcomes

Equity-focused funds have beaten their Lipper peer indexes in 84% of 10-year periods and 97% of 20-year periods.<sup>2</sup> Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.<sup>3</sup> Fund management fees have been among the lowest in the industry.<sup>4</sup>

<sup>1</sup> Investment industry experience as of December 31, 2023.

<sup>2</sup> Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2023. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

<sup>3</sup> Based on Class F-2 share results as of December 31, 2023. Thirteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how a security and an index move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one moved, either up or down, the other moved in "lockstep," in the same direction. A negative correlation close to -1 indicates the two have moved in the opposite direction.

<sup>4</sup> On average, our mutual fund management fees were in the lowest quintile 55% of the time, based on the 20-year period ended December 31, 2023, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Refer to [capitalgroup.com](https://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

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**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

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