

RETIREMENT PLAN COMPARISON



Retirement Plan Contribution Limits

	Limit for 2020
Traditional IRA and Roth IRA	\$6,000
Traditional IRA and Roth IRA Catch-Up Contribution for Ages 50+	\$1,000
SIMPLE IRA	\$13,500
SIMPLE IRA Catch-Up Contribution for Ages 50+	\$3,000
SEP-IRA	Lesser of 25% of compensation or \$57,000
Elective Employee Deferral for TSA/403(b) and 401(k) Plans	\$19,500 TSA/403(b) plan only: Under IRC 402(g)(8), an eligible employee in a TSA/403(b) plan with 15 years or more of service with the current eligible employer can increase the elective employee deferral limit up to an additional \$3,000 per year.
TSA/403(b) and 401(k) Catch-Up Contribution for Ages 50+	\$6,500
Defined Benefit Plans	Lesser of 100% of compensation or \$230,000
Defined Contribution Plans	Lesser of 100% of compensation or \$57,000 Defined contribution plans include, but are not limited to, 401(k), profit-sharing, and money-purchase pension plans.
Compensation for Benefit Purposes	\$285,000

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Retirement Plan Comparison

	Employer Types to Consider Plan	Eligible Participants	Plan Administration
Individual(k)	Owner(s)-only entities, corporations, sole proprietorships, partnerships, businesses with “excludable” employees	<ul style="list-style-type: none"> • Two years of service with employer [one year of service with employer for 401(k) plans]. • Must be at least 21 years old. • Must work at least 1,000 hours per year. • Plans may offer less-restrictive participation requirements. • Check with plan for specifics. 	Third-party administration may be required.
SEP-IRA	Corporations, sole proprietorships, partnerships, tax-exempt entities, state or local governments	<ul style="list-style-type: none"> • Three years of service with employer. • Must be at least 21 years old and received at least \$600 in compensation. • Plans may offer less-restrictive participation requirements. • Check with plan for specifics. 	
SIMPLE IRA	Corporations, sole proprietorships, partnerships, tax-exempt entities, state or local governments (without another retirement program)	<ul style="list-style-type: none"> • Must have 100 employees or fewer. • Employees must receive at least \$5,000 in compensation during any two previous years. • Plan may be established between 1/1 and 10/1. • Plans may offer less-restrictive participation requirements. 	Minimal
Profit-Sharing Plan			
401(k) Plan		<ul style="list-style-type: none"> • Two years of service with employer [one year of service with employer for 401(k) plans]. 	
Defined-Benefit Pension Plan	Corporations, sole proprietorships, partnerships, tax-exempt entities	<ul style="list-style-type: none"> • Must be at least 21 years old. • Must work at least 1,000 hours per year. • Plans may offer less-restrictive participation requirements. • Check with plan for specifics. 	Third-party administration may be required.
403(b) Non-ERISA (Employee Deferrals Only)	Public-school employees and tax-exempt entities qualifying under 501(c)(3)	No requirements	
Traditional IRA		<ul style="list-style-type: none"> • Must have earned income. • Individuals with certain modified adjusted gross income levels may not be able to fully deduct contributions. 	
	Individual taxpayers		Not applicable
Roth IRA		<ul style="list-style-type: none"> • Must have earned income. • No maximum age restrictions. • Individuals with certain modified adjusted gross income levels may not be able to contribute. 	

Retirement Plan Comparison

	Options for Contributions	When Must the Plan Be Established?	When Must Employer Contributions Be Made?	When Must Employee Deferral Contributions Be Made?
Individual(k)	<ul style="list-style-type: none"> • Employer—discretionary • Employee—discretionary 	By employer's tax year-end.		As soon as administratively feasible, but no later than the 15th business day of the month following the month of deferral.
SEP-IRA	<ul style="list-style-type: none"> • Employer—discretionary • Employee—not permitted 	By employer's tax-return due date plus extensions.		Not applicable
SIMPLE IRA	<ul style="list-style-type: none"> • Employer—required • Employee—discretionary 	<p>Between 1/1 and 10/1 of calendar year.</p> <p>For a new employer coming into existence after 10/1, as soon as administratively feasible.</p>	By employer's tax-return due date plus extensions.	As soon as possible, but no later than 30 days following the month in which the employee would have otherwise received the money.
Profit-Sharing Plan	<ul style="list-style-type: none"> • Employer—discretionary • Employee—not permitted 			Not applicable
401(k) Plan	<ul style="list-style-type: none"> • Employer—may be required • Employee—discretionary 	By employer's tax year-end.		As soon as administratively feasible, but no later than the 15th business day of the month following the month of deferral.
Defined-Benefit Pension Plan	<ul style="list-style-type: none"> • Employer—required • Employee—not permitted 			Not applicable
403(b) Non-ERISA (Employee Deferrals Only)	<ul style="list-style-type: none"> • Employer—not permitted • Employee—discretionary 	Not applicable	Not applicable	As soon as administratively feasible.
Traditional IRA	Discretionary			
Roth IRA				Not applicable

Retirement Plan Comparison

	Who Directs Investments?	Can Plan Permit Loan Option?	Minimum Vesting Standards (Employer Contributions)	Distributions Before Age 59½ (Exceptions to the Additional 10% Federal Tax for Premature Distribution)
Individual(k)	Participant	Yes		Death, disability, separation from service after attaining age 55, certain medical expenses, qualified domestic relation order (QDRO), employee stock ownership plan (ESOP) dividends, excess contributions, substantially equal periodic payments (SEPPs), IRS levy of qualified assets.
SEP-IRA	Participant		Immediate	Death, disability, certain medical expenses, health-insurance premiums (if unemployed only), SEPPs, higher-education expenses, first-time home purchase, excess contributions, IRS levy of qualified assets.
SIMPLE IRA	Participant	No		10% penalty is increased to 25% for distribution within two years of first contribution (unless exception applies). Death, disability, certain medical expenses, health-insurance premiums (if unemployed only), SEPPs, higher-education expenses, first-time home purchase, excess contributions, IRS levy of qualified assets.
Profit-Sharing Plan	Trustees or participant—check with plan		Three-year cliff or six-year graded schedule	
401(k) Plan				
Defined-Benefit Pension Plan	Trustees	Yes	Five-year cliff or seven-year graded schedule	Death, disability, separation from service after attaining age 55, certain medical expenses, QDRO, ESOP dividends, excess contributions, SEPPs, IRS levy of qualified assets.
403(b) Non-ERISA (Employee Deferrals Only)	Participant		Not applicable—employer contributions not permitted	Death, disability, separation from service after attaining age 55, certain medical expenses, QDRO, excess contributions, SEPPs, IRS levy of qualified assets.
Traditional IRA				
Roth IRA	Taxpayer	No	Not applicable	Death, disability, certain medical expenses, health-insurance premiums (if unemployed only), SEPPs, higher-education expenses, first-time home purchase, excess contributions, IRS levy of qualified assets.

Retirement Plan Comparison

	Required Minimum Distributions Beginning No Later Than 4/1 of Year Following Year of Attainment of Age 72	Taxation of Distributions (Pretax Contributions)	Eligible Rollovers
Individual(k)	Can be delayed until retirement (as long as participant does not have more than 5% ownership).		Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½).
SEP-IRA			Only one 60-day indirect rollover among all of an individual's IRAs per 12-month period is permitted without incurring tax consequences and/or IRS penalties.
SIMPLE IRA	No exception	Ordinary income	Must wait two years from the date of the first SIMPLE IRA contribution and roll within 60 days to avoid tax consequences and IRS penalties. During the two-year period, can only roll over or transfer into another SIMPLE IRA.
Profit-Sharing Plan			
401(k) Plan	Can be delayed until retirement (as long as participant does not have more than 5% ownership).	Ordinary income and/or net unrealized appreciation	Must have triggering event (e.g., plan termination, death, separation from service, disability, age 59½).
Defined-Benefit Pension Plan			
403(b) Non-ERISA (Employee Deferrals Only)	Can be delayed until retirement. Distribution of pre-1987 assets may be delayed until age 75.	Ordinary income	Must have triggering event (e.g., death, separation from service, disability, age 59½).
Traditional IRA	No exception		
Roth IRA	Not applicable	Qualified distribution—no income tax	Only one 60-day indirect rollover among all of an individual's IRAs per 12-month period is permitted without incurring tax consequences and/or IRS penalties.

Retirement Plan Comparison

	Portability— Eligible Transfer/Rollover Permitted into ...	Features
Individual(k)	<ul style="list-style-type: none"> • Another individual(k) • 401(a) or 401(k) plan • IRA • SEP-IRA • TSA/403(b) plan • 457(b) governmental plan • Roth IRA¹ • SIMPLE IRA² 	High contributions; contribution flexibility; immediate vesting; asset consolidation; simplified plan administration; no annual Department of Labor Form 5500 reporting unless plan assets exceed \$250,000.
SEP-IRA	<ul style="list-style-type: none"> • Another SEP-IRA • IRA • TSA/403(b) plan • 401(a) or 401(k) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	Simple to establish and maintain; no annual IRS filing requirements; contributions deductible for employer.
SIMPLE IRA (after meeting two-year requirement)	<ul style="list-style-type: none"> • Another SIMPLE IRA • IRA • SEP-IRA • TSA/403(b) plan • 401(a) or 401(k) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ 	Contributions deductible for employer; no discrimination testing; not subject to top-heavy rules; some funding responsibility with employees; deferral reduces taxable income to employee.
Profit-Sharing Plan	<ul style="list-style-type: none"> • Another 401(a) or 401(k) plan • IRA • SEP-IRA • TSA/403(b) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	Contributions discretionary; flexibility in plan design; contributions and plan expenses may be deductible by employer; vesting schedule.
401(k) Plan	<ul style="list-style-type: none"> • Another 401(a) or 401(k) plan • IRA • SEP-IRA • TSA/403(b) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	Flexibility in plan design; contributions and plan expenses may be deductible by employer; funding responsibility with participants; deferred amount reduces employee's taxable income; vesting schedule.
Defined-Benefit Pension Plan	<ul style="list-style-type: none"> • Another 401(a) or 401(k) plan • IRA • SEP-IRA • TSA/403(b) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	Contribution levels may be substantially higher than other types of retirement plans; favors older, highly compensated employees; vesting schedule.
403(b) Non-ERISA (Employee Deferrals Only)	<ul style="list-style-type: none"> • Another TSA/403(b) plan • 401(a) or 401(k) plan • IRA • SEP-IRA • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	Deferred amount reduces employee's taxable income; special elections may further increase the amounts an employee can defer; earnings are tax-deferred; contribution limits are greater than IRAs.

¹May trigger recognition of income.

²After the two-year period is met. The two-year period begins on the first day in which contributions are deposited in the employee's SIMPLE IRA account.

Retirement Plan Comparison

	Portability— Eligible Transfer/Rollover Permitted into ...	Features
Traditional IRA	<ul style="list-style-type: none"> • Another IRA • SEP-IRA • TSA/403(b) plan • 401(a) or 401(k) plan • 457(b) governmental plan • Individual(k) • Roth IRA¹ • SIMPLE IRA² 	<p>Tax-deferred growth.</p> <p>A good way for a taxpayer who is not part of an employer plan and has earned income to make deductible contributions.</p>
Roth IRA	<ul style="list-style-type: none"> • Another Roth IRA 	<p>Conversions and contributions are made with after-tax funds, but the growth may be tax-free when qualified distribution requirements are met; not subject to RMDs.</p>

¹May trigger recognition of income.

²After the two-year period is met. The two-year period begins on the first day in which contributions are deposited in the employee's SIMPLE IRA account.

"Site Index – Information for Retirement Plans." *Topics for Retirement Plans*. IRS. December 10, 2018.

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