

For businesses offering a SIMPLE IRA (Savings Incentive Match Plan for Employees) that need higher contribution limits or plan design flexibility, consider offering a 401(k) plan instead.

Our Retirement Savings Plan (the "Plan") is a Multiple Employer Plan (MEP) 401(k) exclusively for ADP TotalSource clients — and offers advantages like reduced administrative burden and financial liability, lower costs **and dedicated support**.

Make your decision informed by comparing key differences between the two types of savings plans.

	401(k) Plan	SIMPLE IRA
Deferral limit* (<Age 50)	\$24,500	\$17,000**
Catch-up deferral limits (Age 50+)	Ages 50-59 & 64+: Addtl \$8,000 (\$32,500 tot.) Ages 60-63: Addtl \$11,250 (\$35,750 tot.)	Ages 50-59 & 64+: Addtl \$4,000** (\$21,000 tot.) Ages 60-63: Addtl \$5,250 (\$22,250 tot.)
Roth contributions allowed	Yes	Yes
Employer contributions required	No, unless safe harbor plan	Yes, employer must contribute either: - 3% matching contribution, or - 2% nonelective contribution
Additional employer contributions allowed	Yes and highly flexible. Employers can generally determine whether and how much to contribute each year and can customize the plan to meet a wide range of goals like profit sharing	No
Maximum total contributions	Up to \$72,000 per participant (employee + employer contributions), not including employee catch-up contributions	No fixed combined limit. Total contributions equal employee deferrals plus required employer contributions
Nondiscrimination testing	Yes, unless safe harbor plan	No
Flexible plan design	Yes	No
Vesting schedules	Yes, employer contributions can vest over time	No, employer contributions are subject to immediate 100% vesting
Participant loans	Yes	No

Above information reflects deferral limits, contribution limits and amounts for 2026.

* Please note that if a participant makes deferrals under a SIMPLE IRA during the calendar year and also contributes to the ADP TotalSource Retirement Savings Plan in that same year, contributions to both plans will count against the annual deferral limit. It is the participant's responsibility to monitor their total contributions to both plans.

** Per SECURE 2.0 Act, SIMPLE IRAs meeting certain criteria may have different limits.

In general, a 401(k) plan is the better choice when higher contribution limits or plan design flexibility are needed.

Making the switch

Replacing a SIMPLE IRA with our Plan can be smooth, stress-free and cost-effective for small businesses.

The process is less daunting than it may seem, however, it requires some careful planning due to the following Internal Revenue Service rules:

- Until recent SECURE 2.0 changes, a SIMPLE IRA operated on a calendar year basis.
- A SIMPLE IRA must generally be the sole retirement plan in effect for the year.
- To terminate a SIMPLE IRA, employees must be notified at least 60 days prior to year-end, which is Nov. 2.

Terminating a SIMPLE IRA at year-end involves two steps:

- 1** Notify your employees prior to Nov. 2 that the SIMPLE IRA will be terminated at year-end.
- 2** Notify your SIMPLE IRA provider that the plan has been terminated and that contributions will cease. You don't need to notify the IRS that your SIMPLE IRA plan has been discontinued.

Can a SIMPLE IRA be replaced mid-year?

- A SIMPLE IRA can be replaced mid-year with a safe harbor 401(k) plan due to a law change under SECURE 2.0.
- The replacement plan can be either a safe harbor or Qualified Automatic Contribution Arrangement (QACA) 401(k) plan.
- The safe harbor/QACA 401(k) plan must be effective as of the termination date of the SIMPLE IRA.
- Replacing a SIMPLE IRA with a 401(k) plan mid-year requires only a 30 day notice to employees, which can be beneficial for businesses that miss the 60 day notification requirement for terminating a SIMPLE IRA at year-end.



Let ADP TotalSource take the burden of running a 401(k) plan off your shoulders — without any additional cost to your company.