2020 PLAN COMPARISON

Whether you're an employer who wants to help your employees work toward a secure retirement, or someone who wants to plan for your own future, this handy guide can help you narrow the focus and zero in on a retirement plan that could work for you in 2020.

2020	Traditional IRA	Roth IRA	SEP	Simple IRA
Plan Features	Contributions may be tax deductible (if individual falls within income guidelines); can be used in conjunction with any retirement plan	Tax-free growth and distributions (provided certain conditions are met); nondeductible contributions may be made even after age 70½; can be used in conjunction with any retirement plan	Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost	Employee-funded; easy to establish and maintain; no ADP/ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan
Who May Establish	Age limit: None Income limit: None	Age limit: None Income limit: $139,000 for single and $206,000 for joint	Sole proprietors, partnerships, corporations, nonprofits, government entities	Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities
Establishment Deadline	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	October 1
Contribution Deadline	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	Annual contributions of up to $6,000 or 100% of compensation (whichever is less); catch-up contributions of $1,000 if age is 50 or older; non-employed spouses may also contribute up to $6,000 per year if conditions are met ($7,000 if over 50)	Annual contributions of up to $6,000 or 100% of compensation (whichever is less); catch-up contributions of $1,000 if age is 50 or older; non-employed spousesmay also contribute up to $6,000 per year if conditions are met ($7,000 if over 50)	25% of compensation up to $57,000; approximately 20% for sole proprietors (due to self-employment deduction)	Employees can defer up to $13,500; catch-up contributions of $3,000 if age 50 or older; employer must match dollar for dollar up to 3% of compensation (can be lowered to 1% for two of every five years) OR 2% of compensation as a non-elective contribution
Who Contributes	Individual	Individual	Employer	Employee and Employer
Maximum Employee Eligibility Requirements	N/A	N/A	Age 21 or older, worked three of last five years and earned at least $600 in each of those years; may exclude union employees and nonresident aliens	Earned at least $5,000 during any two prior years and is expected to earn at least $5,000 in current year; may exclude union employees and nonresident aliens; no age limit restriction
Vesting	100%	100%	100%	100% for both employee and employer contributions
Distributions	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72;* exceptions to 10% penalty may apply; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.	Tax-free distributions allowed provided certain conditions are met; no minimum distributions required at age 72	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 72; exceptions to 10% penalty may apply; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions taken prior to age 59½ may be subject to 10% penalty tax, in addition to ordinary income tax (25% penalty applies if distribution is within two years of participation); minimum distributions required at 72; exceptions to 10% penalty may apply ; for example, new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty that those younger than 59½ would normally owe. The distribution, which is still subject to tax, can be repaid to the retirement account.
Loan Features	Not available	Not available	Not available	Not available
Plan Administration	None	None	None	None

* The change to age 72 will apply to anyone who turns 70½ after 12/31/2019. Those who turned 70½ prior to 1/1/2020 will need to take required minimum distributions under the old rules.

Due to the CARES Act Implementation, Required Minimum Distributions are **not required for the 2020 tax year.

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2020	Profit Sharing/ Money Purchase	403(b)(7)*/ Roth 403(b)(7)	401(k)/Roth 401(k)	Safe Harbor 401(k)/ Roth Safe Harbor 401(k)	Individual K/ Roth Individual K
Plan Features	Employer-funded; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Primarily employee-funded; easy to establish and maintain; pre-tax contributions may reduce employee's current taxable income	Employee-funded with possible employer contribution; allows restricted coverage; allows control over when the money will be withdrawn; may allow for loans	Employee- and employer-funded; allows employers to maximize contributions made by highly compensated employees; mandatory employer contributions; no ADP/ACP discrimination testing	Employee- and employer-funded; allows control over when the money will be withdrawn; may allow for loans; designed specifically for owner-only businesses
Who May Establish	Sole proprietors, partnerships, corporations, nonprofits, government entities	Public schools and 501(c)(3) organizations	Sole proprietors, partnerships, corporations, nonprofits	Sole proprietors, partnerships, corporations, nonprofits	Employer-only businesses including sole proprietors, partnerships, corporations, and nonprofits (may employ spouse)
Establishment Deadline	Tax filing deadline plus extensions	Plan year-end, usually December 31 for calendar-year plans	Tax filing deadline plus extensions; **Employee deferrals must be established by December 31.	October 1	Tax filing deadline plus extensions
Contribution Deadline	Tax filing deadline plus extensions	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions	Salary deferrals withheld each pay period; for sole proprietors, when business income is determined; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	25% of compensation up to $57,000; approximately 20% for sole proprietors (due to self-employment deduction); PSP contributions are discretionary and MPP contributions are required by percentage specified in plan document	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation; total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution); long-tenured catch-up contribution for employees of 15 years or more with same employer	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution)	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer typically contributes dollar for dollar on the first 3% and $.50 on the dollar for the next 2%; other employer contribution options are available; additional non-safe harbor employer contributions are allowed	Employees can defer up to $19,500; catch-up contributions of $6,500 if age 50 or older; employer contribution of 25% of compensation (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed $57,000 (excludes catch-up contribution)
Who Contributes	Employer	Employee and Employer	Employee and Employer	Employee and Employer	Individual
Maximum Employee Eligibility Requirements	Age 21 or older, worked one year (or two years if 100% immediate vesting); may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	Generally, all employees	Age 21 or older, worked one year; may exclude employees who work less than 1,000 hours per year, union employees, and nonresident aliens	Age 21 or older, worked one year; may exclude union employees and nonresident aliens; may not exclude employees due to minimum hours or last-day rules	N/A
Vesting	Vesting schedule allowed	100%	100% for employee contributions; vesting schedule allowed for employer contributions	100% for both employee and employer contributions; vesting schedule allowed for any employer contributions made in addition to mandatory safe harbor contributions	Vesting schedule allowed but generally not used
Distributions	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of 59½, separation from service or plan termination, or hardship; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.	Distributions can only be taken with a triggering event such as death, permanent disability, attainment of plan's normal retirement age, separation from service or plan termination; any distributions taken prior to age 59½ (age 55 if separated from service) may be subject to 10% penalty tax, in addition to ordinary income tax; minimum distributions may be required at 72;** new parents can now withdraw up to $5,000 from a retirement account within a year of a child's birth or adoption without the 10% penalty. The distribution, which is still subject to tax, can be repaid to the retirement account.
Loan Features	Allowed	Allowed	Allowed	Allowed	Allowed
Plan Administration	IRS Form 5500 and other ERISA requirements***	IRS Form 5500 and other ERISA requirements if subject to ERISA***	IRS Form 5500 and other ERISA requirements***	IRS Form 5500 and other ERISA requirements***	IRS 5500 EZ when plan assets reach $250,000

* Employer may make matching or discretionary contributions within an ERISA 403(b); ERISA 403(b)s are subjected to ERISA requirements.

** The change to age 72 will apply to anyone who turns 70½ after 12/31/2019. Those who turned 70½ prior to 1/1/2020 will need to take required minimum distributions under the old rules. Due to the CARES Act Implementation, Required Minimum Distributions are **not required** for the 2020 tax year.

*** Owner-only plans are not required to file IRS 5500 until assets reach $250,000 or terminate. LPL Financial does not provide tax advice. Please consult your tax advisor.

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Retirement Plan Portability

Delivering Plan: From \ Receiving Plan: To	IRA (Traditional Spousal)	Roth IRA	SEP IRA	SIMPLE IRA	Coverdell ESA	Qualified Plans[3]	Roth 401(k)	403(b)	Roth 403(b)	SIMPLE 401(k)	Government 457(b)
IRA (Traditional Spousal)	Transfer or Rollover	Conversion	Transfer or Rollover	Transfer[2] or Rollover[2]	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
Roth IRA	Recharacter-ization[6]	Transfer or Rollover	Recharacter-ization[6]	NO	NO	NO	NO	NO	NO	NO	NO
SEP IRA	Transfer or Rollover	Conversion	Transfer or Rollover	Transfer[2] or Rollover[2]	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
SIMPLE IRA	Transfer[2] or Rollover[2]	Conversion	Transfer[2] or Rollover[2]	Transfer or Rollover	NO	Rollover[2]	NO	Rollover[2]	NO	Rollover[2]	Rollover[2]
Coverdell ESA	NO	NO	NO	NO	Transfer or Rollover	NO	NO	NO	NO	NO	NO
Qualified Plans[3]	Rollover	Conversion	Rollover	Rollover[2]	NO	Transfer[4] or Rollover	Rollover	Rollover	NO	Rollover	Rollover
Roth 401(k)	NO	Rollover	NO	NO	NO	NO	Transfer[4] or Rollover	NO	Rollover	NO	NO
403(b)	Rollover	Conversion	Rollover	Rollover[2]	NO	Rollover	NO	Transfer or Rollover	Rollover	Rollover	Rollover
Roth 403(b)	NO	Rollover	NO	NO	NO	NO	Rollover	NO	Transfer[4] or Rollover	NO	NO
SIMPLE 401(k)	Rollover	Conversion	Rollover	Rollover[2]	NO	Rollover	NO	Rollover	NO	Rollover	Rollover
Government 457(b)	Rollover	Conversion	Rollover	Rollover[2]	NO	Rollover	NO	Rollover	NO	NO	Transfer or Rollover

[1] After-tax contributions require special consideration. Client should consult with a tax advisor for portability guidelines.

[2] Available only after the individual has been a SIMPLE plan participant for over two years.

[3] Qualified plans include profit sharing, money purchase, defined benefit, ESOP, target benefit.

[4] Only a plan merger could be done as a transfer. All other movement would need to be done as a rollover.

[5] Owner-only plans are not required to file IRS Form 5500EZ SF until assets reach $250,000 or terminate. LPL Financial does not provide tax advice. Please consult your tax advisor.

[6] No recharacterizations of conversions made in 2018 or after.

Portability Definitions

Transfer

– Movement of assets from one account to another in which both accounts are considered to be like plans. This type of transaction does not generate any tax reporting to the IRS and is therefore nontaxable. If the assets are changing custodians, the receiving custodian will need to sign a letter of acceptance accepting custodial responsibility of the account.

Rollover

– Movement of assets from one account to another. This type of transaction generates a 1099-R on the delivering side and a 5498 on the receiving side for IRAs. The event may be nontaxable if it is done properly and within 60 days.

Conversion

– Movement of assets from an eligible qualified plan or IRA to a Roth IRA. This type of transaction generates a 1099-R on the delivering side and a 5498 on the receiving side. This is generally a taxable event.

Recharacterization

– Movement of assets from one account into another account to undo a previous transaction. This transaction is most common from a Roth IRA to an eligible IRA to undo a Roth conversion. Transaction will generate a 1099-R on the delivering side and a 5498 on the receiving side. A conversion from a Traditional IRA to a Roth IRA made after December 31, 2017 cannot be recharacterized.

Annual Contribution Limits

Annual Contribution Limits	2020	2019
Traditional IRA, Roth IRA, Spousal, Guardian	$6,000	$6,000
Traditional, Roth, Spousal IRA Catch-Up Contribution	$1,000	$1,000
Coverdell ESA (per beneficiary)	$2,000	$2,000
Employer Deduction Limit (SEP, MPP, PSP, 401(k)[5])	25% aggregate comp	25% aggregate comp
Elective Deferral (402(g) Limit): 401(k), SARSEP, 457 and 403(b))	$19,500	$19,000
Defined Contribution 415 Limit (the lesser of)	100% comp or $57,000	100% comp or $56,000
Salary Deferral Catch-Up Limit (does not count against 415 limits in a 401(k) plan)	$6,500	$6,000
SIMPLE Plan Deferral	$13,500	$13,000
SIMPLE IRA Catch-Up Limit	$3,000	$3,000
Defined Benefit 415 Limit	$230,000	$225,000
Annual Compensation Cap	$285,000	$280,000
SEP Participation Compensation	$600	$600
Highly Compensated Employee (HCE)	$130,000	$125,000
Key Employee Officer Definition	$185,000	$180,000
Social Security Taxable Wage Base	$137,700	$132,900

Tax Deductibility of IRA Contributions

Tax Deductibility of IRA Contributions (Tax Year 2020) for Participants in Employer-Sponsored Retirement Plans

- IRA contributions are fully deductible if neither you nor your spouse participates in an employer-sponsored retirement plan such as 401(k), 403(b), or pension plan.
- **Deductibility is limited** if you or your spouse participates in an employer-sponsored retirement plan. Refer to the chart below to determine if your modified adjusted gross income affects the amount of your deduction.

Filing Status	Modified Adjusted Gross Income	Allowable Deduction
Single or Head of Household	$65,000 or less	A full deduction up to the amount of your contribution limit
	More than $65,000 but less than $75,000	A partial deduction
	$75,000 or more	No deduction
Married Filing Jointly or Qualifying Widow(er)	$104,000 or less	A full deduction up to the amount of your contribution limit
	More than $104,000 but less than $124,000	A partial deduction
	$124,000 or more	No deduction
Married Filing Separately	Less than $10,000	A partial deduction
	$10,000 or more	No deduction

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "Single" filing status.

This chart is designed to give you a basic overview of IRA deductions. LPL Financial recommends you consult with a qualified tax advisor before making IRA decisions.

Contribution Eligibility for Roth IRAs 2020

Modified Adjusted Gross Income Phase Out Range		
Single Filers	Married Filing Jointly	Married Filing Separately
$124,000–$139,000	$196,000–$206,000	$0–$10,000

Rich Arzaga, CFP®, AIF®
Founder and CEO
Cornerstone Wealth Management
CERTIFIED FINANCIAL PLANNER™ PRACTITIONER
rich@cornerstonewmi.com
www.cornerstonewmi.com

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