

2025 Plan Comparison

Whether you're an employer who wants to help your employees work toward an independent 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 2025. Because of the complexities involved with qualified retirement plans, always consult your legal or tax advisor to be sure you are complying with the rules.

Annual Contribution Limits

Annual Contribution Limits	2025	2024
Traditional IRA, Roth IRA, Spousal, Guardian	\$7,000	\$7,000
Traditional, Roth, Spousal IRA Catch-Up Contribution	\$1,000	\$1,000
Education IRA – formerly Coverdell ESA (per beneficiary)	\$2,000	\$2,000
Employer Deduction Limit (SEP, MPP, PSP, 401(k)⁴)	25% aggregate comp	25% aggregate comp
Elective Deferral (402(g) Limit): 401(k), SARSEP, 457, and 403(b)	\$23,500	\$23,000
Defined Contribution 415 Limit (the lesser of)	100% comp or \$70,000	100% comp or \$69,000
Salary Deferral Catch-Up Limit (does not count against 415 limits in a 401(k) plan)	\$11,250 for participants ages 60-63 \$7,500 for participants ages 50-59	\$7,500
SIMPLE Plan Deferral	\$16,500	\$16,000
SIMPLE IRA Catch-Up Limit	\$3,500 for participants ages 50-59 or 64 and up \$5,250 super catch-up for ages 60-63	\$3,500
Defined Benefit 415 Limit*	\$280,000*	\$275,000*
Annual Compensation Cap	\$350,000	\$345,000
SEP Participation Compensation	\$750	\$750
Highly Compensated Employee (HCE)	\$160,000	\$155,000
Key Employee Officer Definition	\$230,000	\$220,000
Social Security Taxable Wage Base	\$176,100	\$168,600

Contribution Eligibility for Roth IRAs in 2025

Modified Adjusted Gross Income Phase Out Range		
Single Filers	Married Filing Jointly	Married Filing Separately
\$150,000–\$165,000	\$236,000–\$246,000	\$0–\$10,000

* SECURE Act 2.0 eliminates the compensation-based limit for participants who are non-highly compensated employees and participate in a rural electric cooperative retirement plan.

2025	Traditional IRA	Roth IRA	SEP
Plan Features	Contributions may be tax deductible (if individual falls within income guidelines); no age limit to make contributions; can be used in conjunction with any retirement plan	Tax-free growth and distributions (provided certain conditions are met); no age limit to make contributions; can be used in conjunction with any retirement plan	Employer-funded; easy to establish and maintain; minimal IRS filings and paperwork; low cost
Who May Establish	Age limit: None Income limit: None. Must have taxable compensation	Age limit: None Income limit: \$165,000 for single and \$246,000 for joint	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
Contribution Deadline	Tax filing deadline (generally April 15)	Tax filing deadline (generally April 15)	Tax filing deadline plus extensions
Contribution Limit/ Requirements	Annual contributions of up to \$7,000 or 100% of compensation (whichever is less); \$8,000 if age 50 or older; non-employed spouses may also contribute up to \$7,000 per year if conditions are met (\$8,000 if over 50)	Annual contributions of up to \$7,000 or 100% of compensation (whichever is less); \$8,000 if age 50 or older; non-employed spouses may also contribute up to \$7,000 per year if conditions are met (\$8,000 if over 50)	25% of compensation up to \$69,000; approximately 20% for sole proprietors (due to self-employment deduction)
Who Contributes	Individual	Individual	Employer
Maximum Employee Eligibility Requirements	N/A	N/A	Age 21 or older, worked three of last five years and earned at least \$750 in each of those years; may exclude union employees and nonresident aliens
Vesting	100%	100%	100%
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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may be repaid to the retirement account	Tax-free distributions allowed provided certain conditions are met; no minimum distributions required at age 73. Withdrawals of earnings prior to age 59½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply	Distributions taken prior to age 59½ may be subject to a 10% penalty tax, in addition to ordinary income tax; minimum distributions required at 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may be repaid to the retirement account
Loan Features	Not available	Not available	Not available
Plan Administration	None	None	None

2025	SIMPLE IRA	Profit Sharing/Money Purchase	403(b)(7) ² /Roth 403(b)(7)
Plan Features	Employee- and employer-funded; easy to establish and maintain; no ADP/ ACP nondiscrimination testing; mandatory employer contributions; employer cannot maintain another retirement plan	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
Who May Establish	Employers with 100 or fewer employees, including sole proprietors, partnerships, corporations, nonprofits, and government entities	Sole proprietors, partnerships, corporations, nonprofits, government entities	Public schools and 501(c)(3) organizations
Establishment Deadline	October 1	Tax filing deadline plus extensions	Plan year-end, usually December 31 for calendar-year plans
Contribution Deadline	Salary deferrals made on each pay period; employer contributions by tax filing deadline plus extensions	Tax filing deadline plus extensions	Salary deferrals withheld each pay period; employer contributions by tax filing deadline plus extensions
Contribution Limit/ Requirements	Employees can defer up to \$16,500; SIMPLE Catchup is \$3,500 for participants 50-59 or 64 and older but has a super catchup of \$5,250 for participants 60-63; 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; both employer and employee contributions may be made on either a pre-tax or Roth basis ⁵	25% of compensation up to \$69,000; 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 \$23,500; catch-up contributions of \$7,500 if age 50-59; ages 60-63 of \$11,250; employer contribution of 25% of compensation ² ; total combined employer and employee contributions cannot exceed \$70,000 (excludes catch-up contribution); long-tenured catch-up contribution for employees of 15 years or more with same employer
Who Contributes	Employee and Employer	Employer	Employee and Employer
Maximum Employee Eligibility Requirements	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	Age 21 or older, worked one year (or two years if 100% immediate vesting); may exclude union employees, nonresident aliens and employees who work less than 1,000 hours per year ³	Generally, all employees
Vesting	100% for both employee and employer contributions	Vesting schedule allowed	100%
Distributions	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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may 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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may 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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may be repaid to the retirement account
Loan Features	Not available	Allowed	Allowed
Plan Administration	None	IRS Form 5500 and other ERISA requirements ⁴	IRS Form 5500 and other ERISA requirements if subject to ERISA ⁴

2025	401(k)/Roth 401(k)	Safe Harbor 401(k)/Roth Safe Harbor 401(k)	Individual K/Roth Individual K
Plan Features	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	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. Plans with employee deferrals must be established by December 31	October 1	Tax filing deadline plus extensions. Plans with employee deferrals must be established by December 31
Contribution Deadline	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	Employees can defer up to \$23,500; catch-up contributions of \$7,500 if age 50-59; ages 60-63 of \$11,250; employer contribution of 25% of compensation can be made on either a pre-tax or Roth basis (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed \$70,000 (excludes catch-up contribution)	Employees can defer up to \$23,500; catch-up contributions of \$7,500 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 and can be made on either a pre-tax or Roth basis; additional non-safe harbor employer contributions are allowed	Employees can defer up to \$23,500; catch-up contributions of \$7,500 if age 50-59; ages 60-63 of \$11,250; employer contribution of 25% of compensation can be made on either a pre-tax or Roth basis (approximately 20% for sole proprietors due to self-employment deduction); total combined employer and employee contributions cannot exceed \$70,000 (excludes catch-up contribution)
Who Contributes	Employee and Employer	Employee and Employer	Individual
Maximum Employee Eligibility Requirements	Age 21 or older, worked one year; may exclude union employees, nonresident aliens and employees who work less than 1,000 hours per year ³	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	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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may 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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may 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 73. Exceptions to 10% penalty may apply. ¹ The distribution, which is still subject to tax, may be repaid to the retirement account
Loan Features	Allowed	Allowed	Allowed
Plan Administration	IRS Form 5500 and other ERISA requirements ⁴	IRS Form 5500 and other ERISA requirements ⁴	IRS 5500 EZ when plan assets reach \$250,000

Tax Deductibility of IRA Contributions (Tax Year 2025)

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.

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.

Filing Status	Modified Adjusted Gross Income	Allowable Deduction
Single Filers	\$79,000 or less	A full deduction up to the amount of your contribution limit
	More than \$79,000 but less than \$89,000	A partial deduction
	\$89,000 or more	No deduction
Married Filing Jointly or Qualified Widow(er)	\$126,000 or less	A full deduction up to the amount of your contribution limit
	More than \$126,000 but less than \$146,000	A partial deduction
	\$146,000 or more	No deduction
Married Filing Separately	Less than \$10,000	A partial deduction
	\$10,000 or more	No deduction

Important Disclosures

1. Examples include terminal illness, a qualified disaster, and the birth or adoption of a child. SECURE ACT 2.0 allows that under certain circumstances, employees are permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal.
2. Employer may make matching or discretionary contributions on either a pre-tax or Roth basis within an ERISA 403(b); ERISA 403(b)s are subjected to ERISA requirements.
3. Long-term part-time employees (those who work 500 or more hours in at least three consecutive years beginning 01-01-2021) may contribute to the plan
4. 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.
5. Starting in 2024, a provision from SECURE 2.0 will go into effect that allows employees to contribute an additional 10% on top of the existing limits, so long as their employer has less than 25 employees or has 26 to 100 employees and agrees to a 4% employer match or 3% non-elective contribution.

Source: <https://www.irs.gov/newsroom/401k-limit-increases-to-23500-for-2025-ira-limit-remains-7000>

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