

# Replacing Simple-IRAs With 401(K)

## Why might 401(k) plans be more advantageous than SIMPLE-IRA plans?

- Higher contribution limits, including the ability to offer Roth contributions
- Ability to restrict participation in the plan
- Access to broader investment arrangements
- Creditor protection from bankruptcy and general creditors
- Participants cannot take a withdrawal without a triggering event

## What are the steps to replace a SIMPLE-IRA with a 401(k) plan?

**SIMPLE-IRA plans have a calendar year only plan requirement, so a January 1 conversion is necessary.**

- Notification must be provided to plan participants by October 31 for the upcoming year
- Cease all contributions to the SIMPLE-IRA arrangement after December 31 for the upcoming year
- Rollovers to 401(k) plans are allowed if the participant consents and the account has existed for at least 2 years

## Aren't 401(k) plans more complicated because of compliance testing?

Not necessarily. If the plan is constructed properly, many of the challenges 401(k) plans face will be reduced (i.e. safe harbor contribution).

## Aren't 401(k) plans more expensive because of administration, compliance testing and additional employer contributions?

Not necessarily. In many instances, additional tax savings due to increased contributions will offset the cost of plan administration.

## Who can I ask for assistance with prospective clients?