

**SIMPLE vs. 401(k):
WHICH ONE IS BEST?**

FEATURE	SIMPLE IRA	401(k)
Eligibility	Businesses with 100 or fewer employees.	Any company regardless of size.
Maintenance of More Than One Retirement Plan	Not permitted.	Permitted.
Establishment of Plan in 2006	Not later than October 1, 2006.	Not later than December 31, 2006.
Plan Documentation	Either IRS Form or prototype supplied by financial institution.	No model form available. Document supplied by 401(k) service provider.
Annual Employer Filing Requirement	None. Financial institution handles most of paperwork.	Form 5500 usually prepared by 401(k) service provider.
Minimum Employee Coverage Requirements	Any employee who received at least \$5,000 in compensation during any 2 years preceding the current calendar year and is reasonably expected to receive at least \$5,000 during the current calendar year.	Generally, any employee who attained age 21 who worked at least 1,000 hours in the previous year but can restrict eligibility if discrimination rules met.
Source of Contributions	Employee salary reduction contributions and employer contributions.	Employee salary reduction contributions and employer contributions.
Employee Roth Option	Not permitted.	Permitted effective in 2006 as additional funding source.
Employer Contribution Options	Employer must make matching contribution or contribute 2% of each eligible employee's compensation as described above.	Employer can make additional contributions including matching contributions subject to plan terms.
Vesting of Employer Contributions	Must be immediately 100% vested.	Can be subject to vesting schedule: 3-year cliff or 6-year graded under new Pension Protection Act of 2006 effective in 2006.
Loans	Not permitted.	Permitted subject to IRS rules.
Life Insurance	Not permitted.	Permitted subject to IRS rules.
Notice of Any Plan Changes	At least 60 prior to start of next calendar year.	Generally any time during the year on a prospective basis.
Timing of Plan Termination	At least 60 days prior to start of next calendar year.	Generally at least 15 days prior to end of plan year.