Basic 401(k)-Type Plan Rules				
Plans	**Standard 401(k)/403(b)**[1]	**Simple 401(k)/IRA**[2]	**Safe Harbor 401(k)/403(b)**[3]	**Safe Harbor Automatic Enrollment 401(k)/403(b)**[4]
Who is eligible?	Employer decides; plan must be available to a broad group of employees	All employees who earned $5,000 or more in prior 2 years and are expected to do so in the current year	Same as Standard plan	Same as Standard plan
How much can each employee contribute in 2012?	Up to $17,000 ($5,500 more in catch-ups for older workers)	Up to $11,500 ($2,500 more in catch-ups for older workers)	Same as Standard plan	Same as Standard plan; if no opt-out, new participants must contribute 3% of pay in their first year, 4% in their second year, 5% in the third year, and so on, but not more than 10% of pay
Must employers match employee contributions?	Not required	Employer must match 100% of the first 3% of pay contributed by each plan participant	Lower-paid workers get at least a 100% match of contributions up to 3% of pay plus a 50% match for contributions between 3% and 5% of pay	Lower-paid workers get at least a 100% match of contributions up to 1% of pay plus a 50% match for contributions between 1% and 6% of pay
Are there alternatives to a match?	See below	If no match, all eligible workers get a 2%-of-pay contribution	If no match, lower-paid workers get a 3%-of-pay contribution	If no match, all low-paid workers get a 3%-of-pay contribution
Can employers make extra discretionary contributions?	Yes, maximum employer + employee contribution is $50,000 per account (without catch-ups)	No; maximum 2012 allocation is $23,000 per account (without catch-ups)	Same as Standard plan	Same as Standard plan

Vesting for employer contributions?	3-year cliff or 6-year graded schedules	Immediate	Immediate for required matching and alternative contributions; standard schedule for additional discretionary contributions	2 years for required matching and alternative contributions; standard schedule for additional discretionary contributions
Are there other nondiscrimination rules?	Amounts of employee contributions and matching contributions for higher-paid workers depend on amount of lower-income workers' contributions	No	No match beyond 6% of pay; flat match required; match for higher-paid workers limited to lowest rate for low-income workers contributing same percentage of pay	Same as Safe Harbor plan
Other rules	If a 403(b) plan permits employee contributions, it must be available to all employees who work 20+ hours per week	Must have fewer than 100 workers; no other plan	Same rule for 403(b)s as for Standard plan	Same rule for 403(b)s as for Standard plan

Source: Pamela Perun and C. Eugene Steuerle, "Why Not a 'Super Simple' Saving Plan for the United States?" The Urban Institute, 2008. Updated
http://www.urban.org/publications/411676.html
The summaries of each plan listed below are available at:
http://www.irs.gov/retirement/sponsor/article/0,,id=151800,00.html
1. A standard or traditional 401(k) plan allows employees eligible to participate in the plan to make pre-tax elective deferrals through payroll deductions. In addition, in a traditional 401(k) plan, employers have the option of making contributions on behalf of all participants, making matching contributions based on employees' elective deferrals, or both. These employer contributions can be subject to a vesting schedule which provides that an employee's right to employer contributions becomes non-forfeitable only after a period of time, or be immediately vested. Rules relating to traditional 401(k) plans require that contributions made under the plan meet specific nondiscrimination requirements. In order to ensure that the plan satisfies these requirements, the employer must perform annual tests, known as the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests, to verify that deferred wages and employer matching contributions do not discriminate in favor of highly compensated employees. A 403(b) plan is a similar plan offered by certain public schools and certain 501(c)(3) tax-exempt organizations.

2. The SIMPLE (Savings Incentive Match Plan for Employees) 401(k) plan and SIMPLE IRA plan were created so that small businesses could have an effective, cost-efficient way to offer retirement benefits to their employees. The SIMPLE plans not subject to the annual nondiscrimination tests that apply to standard plans. As with a safe harbor 401(k) plan, the employer is required to make employer contributions that are fully vested. This type

of plan is available to employers with 100 or fewer employees who received at least $5,000 in compensation from the employer for the preceding calendar year. Employees who are eligible to participate in a SIMPLE plan may not receive any contributions or benefit accruals under any other plans of the employer (however, an employer can chose to maintain another plan to cover employees who are not eligible for a SIMPLE 401(k) while any employer maintaining a SIMPLE IRA plan cannot maintain any other plan). For more contrast between the SIMPLE 401(k) and the SIMPLE IRA see:
http://finance.yahoo.com/news/SIMPLE-IRA-Vs-SIMPLE-401k-investopedia-2462330088.html.

3. A safe harbor 401(k) plan is similar to a traditional 401(k) plan, but, among other things, it must provide for employer contributions that are fully vested when made. These contributions may be employer matching contributions, limited to employees who defer, or employer contributions made on behalf of all eligible employees, regardless of whether they make elective deferrals. The safe harbor 401(k) plan is not subject to the complex annual nondiscrimination tests that apply to traditional 401(k) plans. Safe harbor 401(k) plans that do not provide any additional contributions in a year are exempted from the top-heavy rules of section 416 of the Internal Revenue Code. A 403(b) plan is a similar plan offered by certain public schools and certain 501(c)(3) tax-exempt organizations.

4. A 401(k) or 403(b) plan can have an automatic enrollment feature. This feature permits the employer to automatically reduce the employee's wages by a fixed percentage or amount and contribute that amount to the 401(k) plan unless the employee has affirmatively chosen not to have his or her wages reduced or has chosen to have his or her wages reduced by a different percentage. These contributions qualify as elective deferrals. This has been an effective way for many employers to increase participation in their 401(k) plans. These contributions qualify as elective deferrals.