2026 · SHOULD I SET UP A TRADITIONAL 401(K) FOR MY BUSINESS?

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Does your business have employees?

No

Do you want to contribute more than $72,000 in a retirement account (plus catch-up contributions, if eligible)?

No

Are you looking to contribute more than 25% of your net compensation?

Yes

Consider a Solo 401(k), which is easier to set up and administer than a traditional 401(k).

Overall, contributions cannot exceed the lesser of 100% of compensation or $72,000 (plus catch-up contributions).

No

Consider a SEP IRA because it is one of the easiest plans to administer.

Contributions can't exceed the lesser of 25% of your net compensation or $72,000.

Yes

Are you an older business owner?

No

Consider a defined benefit pension plan, which may allow you to contribute significantly more than a 401(k).

Contributions are based on a mandatory, actuarially calculated amount based on a benefit the lesser of a participant's salary or $290,000.

Yes

Are you willing to make employer contributions on behalf of your employees?

No

Consider a starter 401(k), which does not require employer contributions and has lower administrative costs than a traditional 401(k).

Yes

What is most important when evaluating a retirement plan?

Having flexibility in plan rules and employer contributions.

Consider a traditional 401(k), which allows for discretionary employer contributions, subject to testing.

Being able to contribute as much as you can for retirement or reduce taxable income.

Are you willing to make mandatory contributions for yourself and employees?

No

Consider a traditional 401(k), which will allow you to contribute as much as $72,000 (plus catch-up contributions), subject to testing.

Consider pairing up a 401(k) with other retirement plans to contribute more.

Yes

Having a plan that is easy and simple to set up and administer.

Do you have 100 or fewer employees who earned $5,000 or more last year?

Yes

Consider a SIMPLE IRA (or SIMPLE 401(k) if you want loan features) because they are easier to set up and administer than a traditional 401(k). See the "Should I Establish A SEP IRA Or A SIMPLE IRA Plan For My Small Business?" flowchart.

Consider a Safe Harbor 401(k), which is easier to set up and administer than a traditional 401(k).

Employee contributions cannot exceed $24,500 (plus catch-up contributions) and you must either match employee contributions (up to 4% of their salary) or make mandatory contributions (3% of their salary).

No

A solo 401(k) or SEP IRA may be established and funded this year for the prior tax year by the tax filing deadline (including extensions for SEP IRAs only).

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