

Retirement Plans for Small Businesses



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Why consider a retirement plan?

The information in this guide is provided for a general understanding of the different types of plans and their features. Any tax information presented is based on federal income tax laws, which may differ from state and local income tax laws. All rules related to the establishment or maintenance of each plan type are not included in this summary. Additional rules may apply if an employer maintains multiple plans. Contact your financial or tax professional for more complete information on any plan and its application to your particular situation. This guide is not intended as tax advice.

As the cost-conscious owner of a small business, you may think a retirement plan is a luxury. Actually, it's a benefit you and your employees can't afford to pass up.

Funded in whole or in part by the employee and/or the employer, a small business retirement plan can help to:

1. Reduce your business taxes.
2. Build vital personal retirement savings.
3. Provide an attractive benefit to recruit, reward, and retain valuable employees.

Retirement plans are available for businesses of all sizes, including several low-cost, convenient plans for partnerships, corporations, businesses with multiple employees, and one-person self-employed business owners. Plan options include:

- SEP
- SIMPLE IRA
- Solo 401(k)
- Safe harbor 401(k)
- Profit-sharing
- New comparability
- New comparability with a safe harbor 401(k)
- Age-weighted

For more information regarding any of the plans featured, please contact your financial professional.

SECURE 2.0

Workplace retirement plans play a significant role in Americans' financial security in retirement. To help encourage greater adoption and plan participation, the Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE 2.0) became law in 2022. Here are some of the provisions affecting retirement plans you should be aware of.

Start-up costs

Small employers can claim a tax credit to offset some or all the costs of establishing and administering a qualified retirement plan, SEP or SIMPLE IRA plan, including the cost of educating employees about the plan. To qualify for this tax credit, a business must:

- Have no more than 100 employees who received at least \$5,000 from the business in the preceding year,
- Have at least one non-highly compensated employee participating in the plan, and
- Not have maintained another plan during the three years preceding the first year the business is eligible for the credit.

A \$500 – \$5,000 credit is available for each of the first three years of the plan and may be claimed for expenses incurred in the year before the year the plan is in effect.

An employer with 1 – 50 employees may claim a credit for 100% of plan costs incurred or paid during a tax year, up to the greater of:

- \$500, or the lesser of:
 - \$250 multiplied by the number of non-highly compensated employees eligible to participate in the plan, or
 - \$5,000.

An employer with 51 – 100 employees may claim a credit for 50% of plan start-up and education costs incurred or paid during a tax year, subject to the limits listed above.

Plan contributions

Small employers with a defined contribution plan, SEP or SIMPLE IRA plan may claim a tax credit for a percentage of plan contributions made by the business to the plan accounts of employees whose compensation did not exceed \$110,000 (indexed amount for 2026 tax year). An employer with 1 – 50 employees may claim 100% of the plan contributions (up to \$1,000 per employee) for the first two years, 75% of contributions in year three, 50% of contributions in year four, and 25% of contributions in year five. The credit is phased out for employers with 51 – 100 employees.

Automatic enrollment

Small employers may claim a \$500 tax credit for each of the first three years for which they incorporate an eligible automatic contribution arrangement (EACA) into their qualified retirement plan or SIMPLE IRA plan. The credit is available for new plans or existing plans that adopt the automatic enrollment feature.

Automatic enrollment mandate for new plans

All new 401(k) and 403(b) plans established after December 28, 2022, are required to incorporate an eligible automatic contribution arrangement with automatic escalation, effective for plan years beginning on or after January 1, 2025. The initial automatic enrollment deferral rate must be at least 3% but not more than 10%. Each year thereafter the deferral rate must be automatically increased by 1% until it reaches at least 10%, but not more than 15%. Plans established by a new business in existence for less than three years, with 10 or fewer employees, as well as church and governmental plans, are exempt from this requirement.

Roth updates

Required Minimum Distributions (RMDs) are no longer required for Roth contributions in: 401(k), 403(b), 457, SIMPLE IRA and SEP IRA plans.

Roth employer contributions:¹ In addition to participant salary deferrals, employers may elect to offer employer matching, non-elective, or profit-sharing contributions as Roth too. This optional provision allows plan participants added flexibility to receive some or all of their employer contributions as Roth for greater access to potential tax-free income when qualifying events are reached. The following are some key points to consider:

- 100% vesting required.
- Requires participants to pay taxes. Income taxation applies in the year the money is allocated to a participant's account — participants get a Form 1099-R for designated Roth employer contributions for that tax year.
- The Roth five-year holding period rule applies.

Roth catch-up for higher earners: Effective January 1, 2026, participants who are at least age 50 and have earned at least \$150,000 or more in W2 wages in 2025 will be required to make any catch-up contributions into a Roth account.

Roth contributions

This is another way to contribute to a retirement account. Instead of taking the tax benefit now by reducing your taxable income via pre-tax contributions, participants can opt to contribute with taxed dollars (Roth) for access to tax free-earnings.

To qualify for tax-free earnings, the participant must meet two conditions:

- Have maintained the account for at least 5 years and,
- Have a triggering event: age 59½, disability, or death.

Check with your plan provider if the Roth salary deferral and/or employer contribution feature is available.

1. Check with your plan provider if this feature is available. This feature is not currently available for Invesco direct held retirement programs.

Plans at a glance

Key features	SEP IRA	SIMPLE IRA ¹	Solo 401(k)	Safe harbor 401(k)	Profit-sharing	Age-weighted profit-sharing	New comp. + safe harbor 401(k)
Who can establish							
Sole proprietor, partnerships, S corps., C corps., and nonprofit groups	■	■	■	■	■	■	■
Government agencies	■	■			■	■	■
Cannot maintain any other plan		■					
*Planning note: Beginning in 2024, all part-time employees (Generally – between 500 and 999 hours for 2 consecutive years) must be eligible to contribute salary deferrals							
Administration							
Minimal paperwork and reporting	■	■					
Full-service recordkeeping				■	■	■	■
Key features							
Employee pretax salary deferrals		■	■	■		■	■
Roth after-tax salary deferrals		■	■	■		■	■
Employer Roth contributions	■	■	■	■	■	■	■
Loan availability			■	■	■	■	■
Maximum employee contributions							
Participant contribution maximum (under age 50)		\$18,100	\$24,500	\$24,500		\$24,500	\$24,500
Participant catch-up contribution ² at age 50 – 59, 64+		\$4,000	\$8,000	\$8,000		\$8,000	\$8,000
Participant catch-up contribution age 60 – 63 ^{2,3}		\$5,250	\$11,250	\$11,250		\$11,250	\$11,250
Employer contributions							
Discretionary or mandatory	Discretionary	Mandatory	Discretionary	Mandatory	Discretionary	Discretionary	Discretionary
Cannot exceed 25% of eligible employee compensation	■		■	■	■	■	■
Overall maximum ⁴	\$72,000		\$72,000	\$72,000	\$72,000	\$72,000	\$72,000
Maximum compensation	\$360,000	\$360,000 ⁵	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000

- Contributions for this plan varies depending on the number of employees employed by the business. Contributions shown is for a plan with 25 or fewer employees. Please refer to SIMPLE IRA plan on page 7 for additional information.
- Contributions can begin January 1 of catch-up age. Effective 1/1/2026, any catch-up contributions that are made by a participants who earned more than \$150,000 in Federal Insurance Contributions Act (FICA) wages in 2025 from the employer must make any catch-up contributions as Roth deferrals.
- Participants ages 60 – 63 may make a higher catch-up contribution up to the amount indicated. Contributions may begin January 1 of the year the participant turns 60 and must cease after December 31 of the year they turn 63.
- Catch-up contributions allow participants to exceed this limit.
- The compensation maximum applies only to nonelective contributions. There is no compensation limit for matching contributions.

This information is not intended as tax advice. Investors should consult a tax advisor.

SEP IRA plan

The Simplified Employee Pension (SEP) IRA is a low-cost retirement plan designed for small businesses and the self-employed. This is a discretionary employer-only funded plan with minimal administration.

Establishing a SEP plan requires setting up an IRA for each eligible employee and depositing contributions directly to your employees' account.

2026 plan features

Employer contribution	You decide the percentage you wish to contribute each year: up to 25% of compensation or \$72,000, whichever is less. ¹ There are no requirements for the frequency or minimum amount of contributions.
Roth contribution	Optional plan feature. Eligible participants can elect to receive their contribution as either pre-tax and or Roth (after-tax). ² Refer to page 4 for additional information.
Social Security integration	Additional contributions are permitted for employers or employees who earn more than plan's chosen integration level, which is usually the taxable wage base of \$184,500.
Administration	Easy to administer; there are no required filings with the IRS, employee elective deferrals, or nondiscrimination testing.
Plan establishment date	Can be set up as late as the due date (including extensions) of the business's income tax return for that given tax year.
Vesting	Employees are 100% vested immediately.
Employee eligibility	You contribute to eligible employees ³ who are 21 or older, have worked for you during at least three of the preceding five years, and earned at least \$800 during the year. ⁴

The hypothetical example shows how a SEP plan could help you save \$72,000 towards your retirement and contribute to your employees' retirement accounts based on a 20% contribution rate.

Tax benefits of a SEP plan

Owner/Employee	Compensation (\$)	Employer 20% SEP contribution ⁵ (\$)
Owner	360,000	72,000
Employee A	25,000	5,000
Employee B	20,000	4,000
Employee C	15,000	3,000
Employee D	12,000	2,400
Total employer contribution		86,400
Less corporate tax savings on total contribution at 21%		(18,144)
Cost to company		68,256
Owner's allocation of employer contribution		72,000
Owner's share of employer contributions		83.33%

For illustrative purposes only.

1. Maximum considered compensation is \$360,000 for 2026, indexed for inflation.
2. Check with plan provider if Roth feature is available. Not available in the Invesco SEP IRA program.
3. Nonresident aliens and employees subject to collective bargaining agreements may be excluded. You may designate less restrictive requirements based on age or service at your discretion.
4. Minimum compensation for 2026, indexed for inflation.
5. The maximum percentage is actually 25%; however, in this case, since the owner earns \$360,000, the plan can use 20% and still have the owner receive the maximum contribution amount. The pro-rata method is used to calculate the employer contribution in this example.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2026 and is not intended as tax advice. Tax rates and brackets are subject to change. Investors should consult a tax advisor. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown.

SIMPLE IRA plan

The Savings Incentive Match Plan for Employees (SIMPLE) IRA may be the ideal choice for small business owners with up to 100 employees and are seeking a plan similar to a 401(k). Employers are required to contribute to the plan, but the contribution flexibility makes it appealing to many small business owners. The employer may not maintain any other retirement plans.

2026 plan features

Employee eligibility	Employees ¹ who have earned a minimum of \$5,000 during any two preceding years and are expected to earn at least \$5,000 in the current year must be eligible.
Administration	<p>Unlike a 401(k), there are no required Form 5500 filings or nondiscrimination tests (designed to limit contributions made on behalf of higher-paid employees).</p> <p>Annual notice required to eligible employees at least 60 days before the end of the calendar year.</p> <p>You will be required to transmit deferral information with each payroll.</p>
Employer contributions	<p>You may choose from the following required employer contribution options:</p> <ul style="list-style-type: none"> • Match. You contribute dollar for dollar for participating employees up to 3% of their compensation. In two years of any five-year period, you can elect to reduce the dollar-for-dollar contribution to as low as 1% of compensation. There is no compensation cap on matching contributions. • Nonelective. You contribute 2% of each eligible employee's compensation (limited to \$360,000), even if an employee elects not to make deferrals.
Vesting	Employees are 100% vested immediately.
Roth contributions	Optional plan features that can be selected for participant salary deferrals and employer contributions. ² Refer to page 4 for additional information.
Funding the plan	Contributions permitted under this plan type varies if the employer has either 25 or fewer employees or 26 or more employees. Contributions can be chosen as pre-tax or Roth (after-tax). See the table below for additional details.

	Contribution maximums (\$)
25 or fewer employees	
Participant contribution maximum	18,100
Participant catch-up contribution at age 50 ³	4,000
Participant catch-up contribution at 60 – 63 ^{3,4}	5,250
Employer contribution: match or non-elective	Mandatory
Additional employer contribution ⁵	Optional 5,300
26 or more employees	
Participant contribution maximum	17,000
Increased participant deferral contribution (permitted if match is 4% or non-elective 3%)	Conditional 18,100
Participant catch-up contribution at age 50 ³	4,000
Participant catch-up contribution at age 60 – 63 ^{3,4}	5,250
Employer contribution: match or non-elective	Mandatory

1. Nonresident aliens and employees subject to collective bargaining agreements may be excluded. You may designate less restrictive eligibility requirements at your discretion.
2. Roth employer contributions are not available in the Invesco SIMPLE IRA program.
3. Contributions can begin, January 1 of catch-up age. Effective 1/1/2026, any catch-up contributions that are made by a participants who earned more than \$150,000 in FICA wages in 2025 from the employer must make any catch-up contributions as Roth deferrals.
4. Beginning January 1, 2025, participants ages 60 – 63 may make a higher catch-up contribution. Contributions may begin January 1 of the year the participant turns 60 and must cease after December 31 of the year they turn 63.
5. Additional optional employer contribution up to 10% of compensation of each eligible employee not to exceed \$5,300. Check with your service provider if this option is available.

Tax benefits of a SIMPLE IRA — 3% match

Owner/Employee	Compensation (\$)	Deferral (\$)	Match (\$)	Total (\$)
Owner (age 50+)	400,000	22,100	12,000	34,100
Employee A	45,000	1,800	1,350	3,150
Employee B	35,000	1,400	1,050	2,450
Employee C	25,000	1,250	750	2,000
Employee D	20,000	850	600	1,450
Employee E	18,000	700	540	1,240
Total employer contribution			16,290	
Less corporate tax savings on total employer contribution at 21%			(3,421)	
Cost to company			12,869	
Owner's allocation of employer contributions			12,000	
Owner's share of employer contribution			73.66%	

For illustrative purposes only. This example assumes that the age 50 catch-up deferral applies only to the owner.

Solo 401(k) plan



A Solo 401(k) is a profit-sharing plan with a 401(k) feature designed for sole proprietorships and corporations with no employees other than the owner(s) and their spouse(s). The plan does not require nondiscrimination or top-heavy testing.

2026 plan features

Higher contribution limits	A combination of employee salary deferrals and employer profit-sharing contributions are permitted in this plan. The combined maximum permitted is \$72,000, ¹ if under age 50. Catch-up contributions are in addition. Refer to the Plans at a glance on page 5 for contribution limits.
Roth contributions²	Optional plan features that can be selected for participant salary deferrals and employer contributions. Refer to page 4 for additional information.
Flexibility	Contributions — both salary deferrals and profit-sharing — are discretionary.
Tax benefits	Profit-sharing contributions and traditional salary deferrals are tax-deductible, and earnings accumulate on a tax-deferred basis. Keep in mind, however, that any withdrawals made before age 59½ may be subject to tax penalties.
Vesting	You are 100% vested immediately.
Loans	Loans are available.
Administration	<p>Costs for a Solo 401(k) may be less than a 401(k) for businesses with employees due to reduced administrative requirements. Retirement plan administrative fees are tax-deductible (if not paid from plan assets).</p> <p>IRS Form 5500 is required when plan assets reach \$250,000 across all qualified retirement plans. Invesco does not provide IRS Form 5500 support. Please contact your qualified tax professional for assistance.</p>

1. Maximum considered compensation is \$360,000 for 2026, indexed for inflation.
2. The Invesco plan only permits employee contributions; Roth employer contributions are not available. Check with your provider if the Roth feature is available.

Safe harbor 401(k) plan

Safe harbor 401(k)s allow business owners to automatically pass nondiscrimination tests. Though originally designed to encourage participation among rank-and-file employees, these tests often reduced — or eliminated — a small business owner's ability to contribute on their own behalf. By including a mandatory employer contribution, the safe harbor 401(k) allows small business owners to sponsor a plan in which all eligible employees may participate — including themselves. Retirement plan administration fees are tax deductible if not paid from plan assets.

2026 plan features

Maximized deferrals for the business owner	Because of the mandatory employer contributions, you may contribute the maximum salary deferral permitted as either pre-tax and/or Roth elective deferrals (after-tax). Refer to the Plans at a glance on page 5 for contribution limits.
Employer contributions	You may choose from the following required employer contribution options: <ul style="list-style-type: none"> • Match. You match dollar for dollar for participating employees up to 3% of compensation and 50 cents on the dollar for the next 2% of compensation.¹ • Nonelective. A contribution of at least 3% of compensation for all eligible employees is required whether or not they elect to make deferrals.²
Loans	Loans are available.
Administration	Employers adopting a safe harbor 401(k) plan with a safe harbor matching contribution must provide a 30-day notice to eligible employees before the beginning of the plan year.
Vesting	Employees are 100% vested immediately.
Employee eligibility	Employees who are 21 or older and have completed one year of service are eligible. You may designate less restrictive eligibility requirements at your discretion.

A closer look

With a safe harbor 401(k), employers can bypass the following nondiscrimination tests:

- **Actual deferral percentage (ADP).** Limits the extent to which deferrals from highly compensated employees (HCEs) may exceed those of rank-and-file — or non-highly compensated — employees (NHCEs). Failing this test may result in taxable refunds to highly paid employees.
- **Actual contribution percentage (ACP).** Limits the extent to which employee after-tax contributions and employer matching contributions of HCEs may exceed those of NHCEs. Failing this test may result in the employer being required to make additional contributions on behalf of the NHCEs.
- **Top heavy.** Determines whether more than 60% of the plan's assets belong to key employees — and, if so, requires the owner to make a 3% contribution to each eligible rank-and-file employee.

1. Any other formula used must meet the IRS requirements for safe harbor contributions.

2. Maximum considered compensation is \$360,000 for 2026, indexed for inflation.



Increased retirement savings for small business owners

Without a safe harbor 401(k), the owner's maximum contribution is limited by nondiscrimination testing.

By adopting a safe harbor 401(k), the owner can maximize the contributions.

Comparison with and without a safe harbor 401(k)

Business demographics			Without safe harbor 401(k)		With safe harbor 401(k)			
Owner/ Employee	Age	Compensation (\$)	Deferral (\$)	Deferral %	Deferral (\$)	Deferral %	Safe harbor match (\$)	Total contribution (\$)
Owner	60	360,000	28,350 ¹	4.75 ²	35,750 ¹	9.93 ²	14,400	50,150
Employee A	54	160,000	15,600 ¹	4.75 ²	32,500 ¹	20.30 ²	6,400	38,900
Employee B	42	50,000	2,500	5.00	2,500	5.00	2,000	4,500
Employee C	33	35,000	1,050	3.00	1,050	3.00	1,050	2,100
Employee D	30	35,000	1,050	3.00	1,050	3.00	1,050	2,100
Employee E	26	20,000	0	0.00	0	0.00	0	0

For illustrative purposes only.

1. Deferral amounts include \$11,250 catch-up contribution for the owner that's age 60 and \$8,000 catch-up contribution for employee A that is age 54.

2. Deferral percentage is for base deferrals only; catch-up deferrals are not included in the percentage.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2026 and is not intended as tax advice. Investors should consult a tax advisor.

Other profit-sharing plans

A profit-sharing plan is an employer-only funded retirement program that has more flexible options than a SEP IRA plan.

Due to the added flexibility, nondiscrimination testing, top-heavy testing and other retirement plan administrative services are required. Retirement plan administration fees are tax-deductible (if not paid from plan assets).

2026 plan features

Flexible contribution limits	The amount of the profit-sharing contribution can change annually, and you do not have to make a contribution each year. The maximum annual tax-deductible contribution is the lesser of 25% of compensation or \$72,000. ¹
Employer contributions	You can choose to allocate contributions in one of two ways: <ul style="list-style-type: none"> • Pro rata formula. The employer allocates the same percentage to each eligible employee. • Integrated formula. The contribution is usually allocated based on the Social Security taxable wage base.² Employees earning more than the taxable wage base receive a greater portion of the contribution to compensate for the smaller percentage of Social Security benefits they accrue.
Roth contribution³	Optional plan feature. Eligible participants can elect to receive their contribution as either pre-tax and or Roth elective deferrals (after-tax). Refer to page 4 for additional information.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.
Employee eligibility	Employees who are 21 or older and have completed one year of service are eligible. You may designate less restrictive eligibility requirements at your discretion.

1. Maximum considered compensation is \$360,000 for 2026, indexed for inflation.
2. Social Security taxable wage base is \$184,500 for 2026.
3. Check with your retirement plan provider if feature is available.

New comparability profit-sharing plan



A new comparability plan is a profit-sharing plan with an allocation formula that segments employees into two or more groups and allows for different levels of contributions to each group. The preferred group — which generally includes owners, their family members, and other key employees — receives the bulk of the contribution. The contribution is allocated within each group according to relative age and compensation.

Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administrative services are required. Retirement plan administration fees are tax deductible (if not paid from plan assets).

2026 plan features

Higher contribution limits	You decide the amount you wish to contribute each year, up to the lesser of 25% of total eligible compensation or \$72,000. ¹
Cost flexibility	You may vary the amount you contribute annually.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.
Optional 401(k) feature	You may amend your plan to allow employees to defer a portion of their pay as pre-tax or Roth elective deferrals (after-tax) — up to maximum amount permitted. Refer to the Plans at a glance on page 5 for contribution limits and page 4 to learn more about Roth.
Employee eligibility	Employees who are 21 or older and have completed one year of service are eligible. You may designate less restrictive eligibility requirements at your discretion.

1. Maximum considered compensation is \$360,000 for 2026, indexed for inflation. Catch-up contributions are in addition if the 401(k) feature is added.

Maximized benefits

As illustrated below, if a small business owner would like to maximize the profit-sharing contribution to the business owners or key employees while minimizing the contributions for other employees, they may be interested in establishing a new comparability plan.

To determine which plan may be right for your company, talk to your financial professional.

New comparability profit-sharing plan illustration

Owner/Employee	Age	Compensation (\$)	Contribution (\$)	% of income	% of budget
Owner	60	360,000	72,000	20.00	84.71
Employee A	54	120,000	6,000	5.00	7.06
Employee B	42	50,000	2,500	5.00	2.94
Employee C	33	35,000	1,750	5.00	2.06
Employee D	30	35,000	1,750	5.00	2.06
Employee E	26	20,000	1,000	5.00	1.18
Total employer contributions			85,000		
Less corporate tax savings on employer contributions at 21%			(17,850)		
Cost to company			67,150		
Owner's share of employer contributions			72,000		
Owner's allocation of employer contributions			84.71%		

For illustrative purposes only.

New comparability profit-sharing plan with a safe harbor 401(k)

Adding a new comparability profit-sharing feature to a safe harbor 401(k) allows employees to contribute to their own retirement savings while benefiting from the employer's required profit-sharing contribution.¹ The business owner makes a 3% nonelective contribution to all eligible employees, which satisfies both the safe harbor requirement and the new comparability allocation for the nonpreferred group.

2026 plan features

Maximized deferrals for the business owner	You may contribute the maximum in salary deferrals as pre-tax and/or Roth elective deferrals (after tax) because the plan is not subject to 401(k) nondiscrimination testing. Refer to the Plans at a glance on page 5 for contribution limits.
New comparability allocation formula	This formula segments employees into two groups — preferred and nonpreferred. The preferred group, which includes the owner, receives the bulk of the profit-sharing contribution.
Vesting	Employees are 100% vested immediately.
Loans	Loans are available.
Employee eligibility	Employees who are 21 or older and have completed one year of service are eligible. You may designate less restrictive eligibility requirements at your discretion.

1. The SECURE Act eliminated the requirement for a participant notice if nonelective safe harbor contributions are made. Employers adopting new comparability profit-sharing plans with safe harbor 401(k)s are not required to but may provide a 30-day notice to eligible employees before the beginning of the plan year.

Maximizing your deferral

Consistently profitable companies with a broad range in ages and salaries between groups of employees, such as owners and rank-and-file employees, may benefit from a new comparability profit-sharing plan with a safe harbor 401(k). As illustrated below, business owners may be able to maximize their salary deferral — and receive a profit-sharing contribution — without making large contributions to employees.

New comparability profit-sharing with a safe harbor 401(k) versus safe harbor 401(k) alone

Business demographics			New comparability with safe harbor 401(k)				Safe harbor 401(k)		
Owner/ Employee	Age	Compensation (\$)	Deferral (\$)	New comp. (\$)	Safe harbor 3% (\$)	Total (\$)	Deferral (\$)	Safe harbor 3% (\$)	Total (\$)
Owner	60	360,000	35,750 ¹	36,000	10,800	82,550	35,750 ¹	10,800	46,550
Employee A	54	120,000	32,500 ¹	6,000	3,600	42,100	32,500 ¹	3,600	35,100
Employee B	42	50,000	2,500	2,500	1,500	6,500	2,500	1,500	4,000
Employee C	33	35,000	1,050	1,750	1,050	3,850	1,050	1,050	2,100
Employee D	30	35,000	1,050	1,750	1,050	3,850	1,050	1,050	2,100
Employee E	26	20,000	0	1,000	600	1,600	0	600	600
Total employer contributions ²					67,600		18,600		
Less corporate tax savings on employer contributions and fees at 21%					(14,196)		(3,906)		
Cost to company					53,404		14,694		
Owner's allocation of employer contributions					46,800		10,800		
Owner's share of employer contributions					69.23%		58.06%		

For illustrative purposes only.

1. Deferral amounts include \$11,250 catch-up contribution for the owner that's age 60 and \$8,000 catch-up contribution for employee A that is age 54.

2. Total annual employer plan contributions are limited to 25% of compensation.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2026 and is not intended as tax advice. Tax rates and brackets are subject to change. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown. Investors should consult a tax advisor.

Age-weighted profit-sharing plan

Age-weighted plans generally benefit companies that maintain consistent profits and have a broad range in ages and salaries between “rank-and-file” and “key” employees (including owners). The employer’s discretionary contributions are allocated among employees based on relative age and compensation. This results in older, more highly compensated employees receiving a greater portion of the contribution. As with all profit-sharing plans, all contributions to an age-weighted plan are made by the employer.

Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administrative services are required. Retirement plan administration fees are tax deductible (if not paid from plan assets).

2026 plan features

Higher contribution limits	You decide the amount you wish to contribute each year, up to the lesser of 25% of total eligible plan compensation or \$72,000. ¹
Cost flexibility	You may vary the amount you contribute annually.
Vesting	Vesting schedules are permitted.
Loans	Loans are available.
Optional 401(k) feature	You may amend your plan to allow employees to defer a portion of their pay as pre-tax and/or Roth elective deferrals (after-tax). Refer to the Plans at a glance on page 5 for contribution limits.
Employee benefit	Your discretionary contributions are allocated among employees based on relative age and compensation. Employees who are 21 or older and have completed one year of service are eligible. ²

1. Catch-up contributions are in addition if 401(k) feature is added. The maximum considered compensation is \$360,000 for 2026, indexed for inflation.
2. You may designate less restrictive eligibility requirements at your discretion.

Tax benefits

With an age-weighted plan, you can contribute generously to your own retirement savings while taking advantage of tax-deductible administration fees and contributions for your employees, as illustrated below.

Keep in mind, however, that the allocation formula used in the age-weighted calculation may not be beneficial for every company — especially one whose owner is younger than other employees, as illustrated in Plan B below. In this case, another plan may be more appropriate.

Age-weighted profit-sharing plan illustration — Plan A

Owner/Employee	Age	Compensation (\$)	Contribution (\$)	% of income	% of budget
Owner	60	360,000	72,000	20.00	76.09
Employee A	54	120,000	17,241	14.37	18.22
Employee B	42	50,000	3,016	6.03	3.19
Employee C	33	35,000	1,101	3.15	1.16
Employee D	30	35,000	886	2.53	0.94
Employee E	26	20,000	379	1.90	0.40
Total employer contributions			94,623		
Less tax savings on employer contributions at 21%			(19,871)		
Cost to company			74,752		

Owner's allocation of employer contributions	72,000
Owner's share of employer contributions	76.09%

Age-weighted profit-sharing plan illustration — Plan B

Owner/Employee	Age	Compensation (\$)	Contribution (\$)	% of income	% of budget
Owner	25	360,000	21,613	6.00	21.67
Employee A	54	120,000	59,526	49.61	59.69
Employee B	42	50,000	10,413	20.83	10.44
Employee C	33	35,000	3,802	10.86	3.81
Employee D	30	35,000	3,060	8.74	3.07
Employee E	26	20,000	1,310	6.55	1.31
Total employer contributions			99,724		
Less corporate tax savings on employer contributions at 21%			(20,942)		
Cost to company			78,782		

Owner's allocation of employer contributions	21,613
Owner's share of employer contributions	21.67%

For illustrative purposes only.

This hypothetical illustration is based on tax laws and regulations in effect for tax year 2026 and is not intended as tax advice. Tax rates and brackets are subject to change. Investors should consult a tax advisor. Changes in tax rates and tax treatment of investment earnings may affect the comparative results shown.

Finding the right plan

Although the three plans have different outcomes, the bottom line may not be your only consideration.

Finding the plan that best fits your company's needs is an important decision. The side-by-side comparison in the table below may be beneficial to you in this process.

- The SEP example is the most expensive, but it provides two profit-sharing allocation options and the most benefit to employees. This plan may be right for you if your goal is to reward and retain employees at the highest level.
- The age-weighted plan gives the older employees the largest contribution. This may meet your needs if your goal is to reward key or long-term employees.
- Finally, the new comparability example below allows the owner to receive a \$72,000 contribution while still costing less than the SEP.

Comparing a SEP, an age-weighted, and a new comparability plan

Owner/Employee	Age	Compensation (\$)	SEP			
			Pro-rata (\$)	Integrated with Social Security (\$)	Age-weighted (\$)	New comp. (\$)
Owner	60	360,000	72,000	71,996	72,000	72,000
Employee A	54	120,000	24,000	20,664	17,241	6,000
Employee B	42	50,000	10,000	8,610	3,016	2,500
Employee C	33	35,000	7,000	6,027	1,101	1,750
Employee D	30	35,000	7,000	6,027	886	1,750
Employee E	26	20,000	4,000	3,444	379	1,000
Total employer contributions			124,000	116,768	94,623	85,000
Less corporate tax savings on employer contributions and fees at 21%			(26,040)	(24,521)	(19,871)	(17,850)
Cost to company			97,960	92,247	74,752	67,150
Owner's allocation of employer contributions			72,000	71,996	72,000	72,000
Owner's share of employer contributions			58.06%	61.66%	76.09%	84.71%

For illustrative purposes only.

Get started

One of the best ways to help reach your goal is to partner with a strong team: A financial professional who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies.

Talk to your financial professional about how a retirement plan with Invesco can help you get more out of retirement.

All data based on 2026 tax requirements. All investing involves risk, including risk of loss.

The illustrations provided were calculated by Convergent Retirement Plan Solutions, LLC. Invesco is not affiliated with Convergent Retirement Plan Solutions, LLC.

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns and does not assure a profit or protect against loss.

Note: Not all products, materials or services are available at all firms. Financial professionals, please contact your home office.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

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Please obtain and review all financial material carefully before investing.