State Auto-IRA vs. Private 401(k)

Comparison: State-Mandated Program & Private 401(k) Plan

Several states have implemented a state-sponsored retirement savings program that is structured around a payroll deduct Roth IRA (after-tax), which requires the automatic enrollment of every eligible employee ("Auto-IRA"). It is generally required that small businesses either opt-in to the State's Auto-IRA program or sponsor a qualified retirement plan of their own. So, all businesses that have been in existence for at least 2 years and have more than 5 employees are challenged to find the right solution!

How do the two options compare?

A state-sponsored Auto-IRA program is a minimalistic retirement option (i.e., better than nothing), but it generally lacks the inherent flexibility and control business owners have come expect.

	State Auto-IRA	Prosper 401K
Pre / Post-Tax	Post-Tax only	Pre & post-tax contributions allowed.
Contributions	Up to $7,000	Up to $23,000 + $7,500 "Catch-up" (age 50+)
Income Limits	To make the contribution, employees must have a Modified Adjusted Gross Income less than...[1] • $146,000 for single filers • $230,000 for married / joint filers	No limitations
Employer Fees	None	Plans start at $99/ month
Employee Fees	0.825% - 0.95%[2]	0.65% - 0.75%[3]
Investments	12 mutual funds	20+ mutual funds + Model Portfolios
Tax Incentives	None	Employers can take advantage of: • Federal tax credit of up to $5,000/yr for 3 years • Deduction of actual "out of pocket" costs paid • Deduction of any employer contributions.
Enrollment	Automatic (required); 5% contribution	Elective; dollar or percentage of pay
Hardship Loans	Not Available	Available; 50% of balance, up to $50,000
Payroll Integration	None	Available; various payroll service providers[4]
Ongoing Responsibilities	• **Manage Employee Census:** Maintain employee census by adding new employees (as they become eligible) and removing those who leave or have been terminated. • **Manage Contribution Changes:** Every time an employee changes their contribution amount or elects to opt-out, the employer will be required to adjust the payroll deduction in their own system (and/ or notify payroll provider). • **File Contributions Each Pay Period:** Every pay period, the employer will be required to send a file listing all employee contributions to their Administrator - within 7 calendar days. • **Calculate & Remit Contributions:** Every pay period, the employer will be required to, or coordinate with payroll provider to do so.	Employer is responsible for oversight of the Plan's designated service providers: • **3(16) Fiduciary Administrator:** The outsourced fiduciary responsible for selecting the custodian and recordkeeper for the Plan, as well as managing the routine administration and operations of the Plan. • **3(38) Investment Manager:** The outsourced fiduciary responsible for selecting and managing the Plan's investment options as well as the model portfolios for participants. • **Payroll Administrator:** The party responsible for maintaining the employee census and managing employee elective payroll deferrals (and/or Roth contributions).

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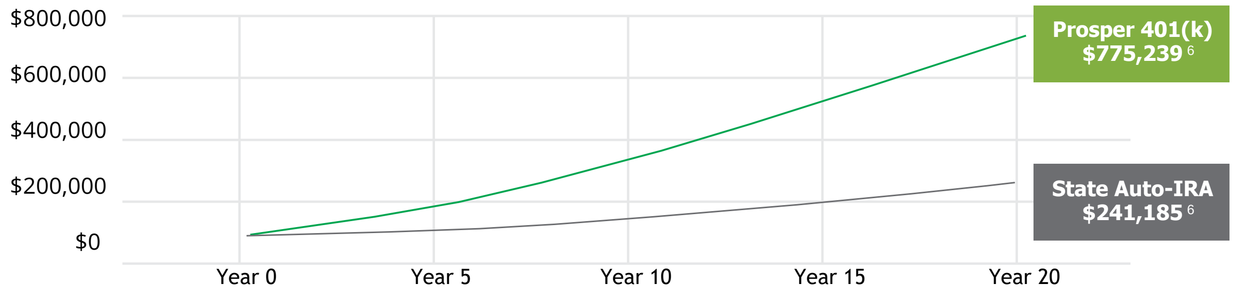
How a Prosper 401K empowers small businesses to save more

By establishing a traditional 401(k) plan, you and your employees can maximize the amount of contributions towards their retirement account. More specifically, the Auto-IRA has lower annual contribution limits and an inability to allow employers to make discretionary contributions to any employee accounts. The combination of the lower contribution amounts and restrictions around employer contributions will greatly limit the retirement nest egg that anyone can accumulate over time.

Below is an example of what it would look like if an individual maxes-out their retirement savings in a State Auto-IRA versus a Prosper 401K, over a 20-year period - assuming the same 5% rate of return. [5]

Hypothetical growth of maximum contributions over 20 year period [5]



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Hypothetical savings based on $7,000 annual contribution for Auto-IRA account versus $23,000 annual contribution for Prosper 401K, over a 20-year period. [6]

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1 Employees may be eligible to make a partial contribution if their Modified Adjusted Gross Income is between certain thresholds.

2 CalSavers employee annual asset-based fee ranges between 0.825% to 0.95%, depending on investment choice.

3 A Proper401k Advisory Fee of 0.50% per year of a participant's balance and 0.15% is the average expense ratio for the Efficient fund line-up.

4 Refer to prosper401k.com/partner-integrations for a list of existing integrated payroll service providers.

5 This model assumes: The investor is not eligible for "catch-up" contributions; investments receive 5% annual returns; the pace at which the contribution limit for IRAs and 401(k)s will increase over the next 10 years at a rate similar to which is it has increased over the last 10 years.

6 Hypothetical future account value is not inclusive of tax effects, which will vary by state and an individual's MAGI tax rates. Prosper Retirement does not provide tax, legal, or accounting advice and the information provided here is for general informational purposes only.

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