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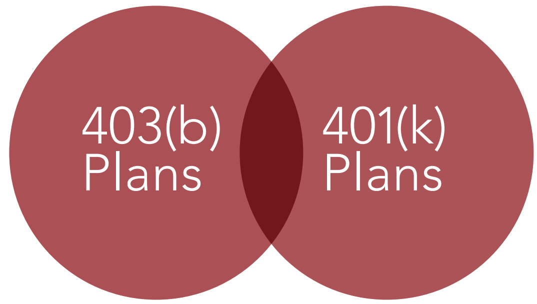
403(b) Plans – Siblings, not Twins

Ensuring the Right Retirement Plans for Your Employees and Your Organization

Non-Profit organizations, such as schools, hospitals, clubs and charities can sponsor either a 401(k) plan or, more commonly, a 403(b) plan. Both plans allow participants to save dollars direct from their paychecks into retirement accounts and both defer taxes on any investment gains, but the two plans are very different.

That's why we work with every client, both at the onset of the plan and each year, to ensure that the plan still meets the needs of the firm, while providing meaningful benefits to their employees.

The right TPA should have Expert Knowledge, Dedicated Service, Great Solutions that lead to greater satisfaction for you and your staff.



Unique To 403(b) Plans

- Universal Availability
- Only certain employers eligible to sponsor
- Limited investment options
  - Mutual funds
  - Fixed and variable annuities
  - Custodial accounts
- ERISA and Non-ERISA Plans
- Individual rather than Group Contracts
- No ADP Test on Employee Deferrals

Unique To 401(k) Plans

- Eligibility requirements
- Generally, any business entity may sponsor
- Any acceptable investments under the plan
- ADP Testing on Highly Compensated Employee (HCE) Salary Deferrals
- Group Contracts mean Employer may decide to change investment custodian

Common To Both

- Employee contributions limited to $22,500 (2023), plus additional amount if age 50
- Total contribution (employee and employer) limited to 100% of pay or $66,000 (2023)
- May allow for Participant Loans
- May allow for Roth Employee Deferrals
- More than 100 participant plans have independent audit requirement
- Written Plan Document required
- IRS and DOL Correction Programs available to repair operational failures
- Required distributions begin at age 72

Feature	403(b) Plan	401(k) Plan
Eligible Employer	Educational organizations and Nonprofit organizations under Internal Revenue Code Section 501(c)(3).	Any employer
Eligible Employees	All employees but may exclude: - Employees who work less than 20 hours per week - Professors on sabbaticals - Certain students - Union employees covered under collective bargaining agreements - Non-resident aliens with no U.S. income	May be less restrictive, but cannot exclude those who exceed: - 21 years old - Completion of one-year service - 1,000 hours service per year May also exclude: - Union employees covered under collective bargaining agreements - Non-resident aliens with no U.S. income
Contribution Limits - Employer	Employer's discretion up to 25% of eligible payroll. Can be made as a matching or an employer discretionary contribution.	Employer's discretion up to 25% of eligible payroll. Can be made as a matching or a profit sharing contribution.
Contribution Limits - Employee	Employees can defer up to $22,500 per year (in 2023). Employee and employer contributions per employee cannot exceed $66,000 unless employee is age 50 or older then they may defer up to an additional $7,500. An employee of a "qualified organization" with 15 years of service may be eligible to contribute an additional $3,500.	Employees can defer up to $22,500 per year (in 2023). Employee and employer contributions per employee cannot exceed $66,000 unless employee is age 50 or older then they may defer up to an additional $7,500.
Deductions & Deferrals	Employer contributions are tax deferred for employee. Employee contributions may be pre-tax and tax deferred, or after tax (Roth) with tax free earnings.	Employer contributions deductible to employer. Tax deferred for employee. Employee contributions may be pre-tax and tax deferred, or after tax (Roth) with tax free earnings.
Investment Options	Mutual Funds, Custodial Accounts and Annuities only.	Any acceptable investment under the plan.
Vesting	Several permissible vesting schedules. All Employee elective deferrals are 100% vested immediately.	Several permissible vesting schedules. All Employee elective deferrals are 100% vested immediately.
Subject to ERISA	Yes, if considered an "Employee Benefit Plan". Employers often limit their role and do not provide employer contributions to the plan to remain exempt from ERISA. Could also be exempt under ERISA rules, as in Governmental or certain Church plans.	Yes, unless otherwise exempt, as in Governmental or certain Church plans.
Testing	Discretionary Employer and Matching Contributions must not discriminate in favor of HCEs, with exemptions for certain Governmental or Church Plans.	Subject to ADP, ACP, Top Heavy and Coverage Testing.
Form 5500 Annual Reporting	If ERISA plan, 5500 filing is required. Not required for Non-ERISA plan.	Required, however special rules apply to plans covering only owners and spouses.
Distribution Options	Lump sum, installments and annuities. Must begin later of age 72 or retirement, however, accounts may be aggregated with IRA accounts for one required minimum distribution.	Lump sum, installments and annuities. Must begin later of age 72 or the non-5% owner's actual date of retirement. Owners must begin by April 1 after the year age 72 reached. Accounts may be not aggregated with IRA accounts for one required minimum distribution.

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WHERE IS YOUR COMFORT PLACE?
EJR CAN HELP YOU GET THERE.

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