



Comparison of Key Features of 401(k) & 403(b) Plans

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Retirement planning for employers can often be tricky business; offering matching contributions, choosing investment options to offer employees, deciding whether to allow loans. Additionally, as a non-profit employer you have the option to offer your employees either a 401(k) or a 403(b) plan.

Below, we've assembled some distinguishing features to help determine which of these plans could be right for you.

Topic	401(k)	403(b)
<i>Who can offer the plan?</i>	All companies, even those eligible for 403(b); only one plan type can be chosen by the employer, however.	Tax exempt organizations, schools, non-profits, government workers, hospitals, religious groups.
<i>Which employees must I cover?</i>	All employees who have attained Age 21 & one year of service (year of service may be defined as up to 1,000 hours). May exclude classes of employees subject to nondiscrimination testing.	"Universal availability" whereby if an employer permits one employee to defer salary into a 403(b) plan, the employer must extend this offer to all employees of the organization. Certain exclusion allowed for part-time employees & students
<i>How much can employees contribute each year?</i>	Limit of \$19,500 for 2020 (indexed), plus an additional "catch-up" contribution of \$6,500 per year for those age 50 or older	Same as 401(k), plus an additional Maximum Allowable Contribution of \$3,000 for workers with at least 15 years of service in a qualified organization, where allowed in plan documents (up to \$15,000 total)
<i>How much can the employer contribute for employees each year?</i>	Limit of \$57,000 for 2020 (indexed) less the non-"catch-up" contributions during the year made by the employee.	Limit of \$57,000 for 2020 (indexed) less the non-"catch-up" contributions during the year made by the employee.
<i>What types of investments can we offer?</i>	Stocks, bonds, money market accounts, mutual funds, etc. Many options not available to 403(b) plans, including many with lower administrative costs.	Mutual funds and annuities only. Often offered within an insurance contract.
<i>What are the fees?</i>	Fees include annual administration, record keeping, investment management and investment advisory.	Fees include annual administration, record keeping, investment management and investment advisory. Fees are often higher than a comparable 401(k) plan due to annuity coverage.
<i>When can employees withdraw their funds?</i>	Withdrawals allowed beginning at age 59 ½. Early withdrawal penalty of 10% in addition to tax liabilities when withdrawn before that, unless you leave your employer at age 55 or older	Withdrawals allowed beginning at age 59 ½. Early withdrawal penalty of 10% in addition to tax liabilities when withdrawn before that, unless you leave your employer at age 55 or older
<i>Required Minimum Distribution</i>	RMDs begin at age 72 (age 70 ½ if born before July 1, 1949) to avoid penalties	RMDs begin at age 72 (age 70 ½ if born before July 1, 1949) to avoid penalties

At the end of the day, the plan that's best for you and your company depends on many factors. There's no clear-cut winner in the competition between 401(k) and 403(b) plans because that depends on the needs of your company. But if you think one of these options may be a good fit for your company, contact your financial advisor or a team member at Odyssey Advisors.

For more information, visit us at www.odysseyadvisors.com or call us at (855) 401-GAIN