

# Comparison of 403(b) vs. 401(k) Plans

A Not for Profit Organization, and certain Educational Employers, may sponsor either a 403(b) or a 401(k) Plan. A For Profit Organization cannot sponsor a 403(b). These plans used to have many differences, but

over the years they have become much more similar. The grid below covers various plan issues, with the focus on why an employer who could sponsor a 403(b) might or might not choose to sponsor a 401(k).

	403(b) Plans	401(k) Plans
<b>Employers that can sponsor</b>	Not-For Profit and certain educational employers	For Profit, Not-For Profit, certain educational employers
<b>Eligibility</b>	In general all full time employees must be covered, however certain exclusions allowed: <ul style="list-style-type: none"> <li>• &lt;20 hrs per week</li> <li>• Students</li> <li>• Clergy</li> </ul>	May have eligibility requirements up to one year of service, even for full time employees. <i>A reason some Employers choose a 401(k) Plan</i>
<b>Deferral Limit</b>	\$19,500 under 50 [annual limit for 2021] \$26,000 for 50+ [annual limit for 2021]	
<b>ADP Test</b>	None required for salary deferrals <i>A significant reason to choose a 403(b) Plan</i>	Required for salary deferrals unless the plan adopts a Safe Harbor Contribution
<b>Employer Match</b>	Allowed	
<b>ACP Test</b>	Required if there is a match	
<b>Other Employer Contributions</b>	Discretionary contributions allowed Must follow discrimination rules	
<b>Investment Options</b>	Limited to annuities or mutual funds	More Options, such as stocks and ETFs in Brokerage accounts
<b>Service Providers</b>	Limited, some vendors do not offer 403(b) plans	More Providers <i>A reason some Employers choose a 401(k) Plan</i>
<b>Form 5500</b>	May not be required if there are no ER contributions and the Employer has no discretion	Always required
<b>More comparative data:</b>	<a href="http://benefitsattorney.com/charts/plancomparison/">http://benefitsattorney.com/charts/plancomparison/</a>	

A 403(b) and 401(k) Plan may not merge even if the sponsoring employers merge.

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