

# 403(b) Plans

## A Pre-Tax Employee Savings Plan



A 403(b) plan is a type of retirement plan for employees of governmental entities, public schools, non-profit organizations, and certain religious organizations. The plan is intended to provide employees with the ability to fund their retirement accounts on a pre-tax or Roth basis.

### ERISA AND NON-ERISA 403(B) PLANS

403(b) plans sponsored by governmental and public education employers are exempt from ERISA. 403(b) plans sponsored by religious organizations are also exempt from ERISA but may elect ERISA coverage. Non-profit organizations are generally subject to ERISA unless they meet strict requirements. Non-ERISA 403(b) plans do not file a Form 5500.

### EMPLOYEE CONTRIBUTIONS

Employees can elect to defer up to \$23,000 into the plan in 2024. Employee contributions may be made pre-tax or Roth and are always fully vested. Generally, employees must be given the opportunity to defer into the plan when they are hired.

### CATCH-UP CONTRIBUTIONS

Employees age 50 and over can make an additional catch-up contribution of \$7,500 during 2024. Some employees may be eligible to make special "15-year rule" catch-up contributions.

### MATCHING CONTRIBUTIONS

Organizations can choose to match employee contributions. Many match at a rate of 25%, 50%, or even 100% of the amount the employee contributes. An organization may choose to have a waiting period, generally up to one year before an employee receives a matching contribution.

### NON-ELECTIVE CONTRIBUTIONS

Although not required, organizations can also choose to make non-elective contributions in addition to matching

contributions. An optional waiting period, generally up to one year before an employee receives a non-elective contribution, may be applied.

### SAFE HARBOR 403(B) PLANS

One limitation of a traditional 403(b) plan is that they are subject to non-discrimination testing and can limit the match for Highly Compensated Employees. Safe Harbor 403(b) plans provide an alternative to traditional 403(b) plans and may permit Highly Compensated Employees to receive a larger match than might be otherwise be possible.

### WITHDRAWAL OPTIONS

Generally, withdrawals are not permitted unless one of the following are met:

- Employee reaches age 59 ½
- Employee no longer works for the organization administering the plan
- Death or Disability
- Financial Hardship (if allowed)

### FLEXIBLE INVESTMENTS

403(b) plans typically invest in a lineup of mutual funds. In most cases, ETFs and other investments are not available in a 403(b) plan.

### ABOUT LANDMARK FINANCIAL

Landmark Financial has more than 20 years of experience designing, installing, and operating 403(b) plans. We can provide you with the information and tools you need to make your 403(b) plan a success.

Learn more about us at [www.mylandmarkfinancial.com](http://www.mylandmarkfinancial.com).

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