

2022 403(b) vs. 401(k) comparison chart



Wealth Management

Feature	403(b)	401(k)
Eligible employer	Educational organizations and nonprofit organizations under 501(c)(3) of the IRC	Any employer
Eligible employees	All employees but may exclude: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Age 21 • One year of service • 1000 hours of service per year May exclude: <ul style="list-style-type: none"> • 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. Contributions may continue beyond age 72.	Employer’s discretion up to 25% of eligible payroll. Can be made as a matching or a profit sharing contribution. Contributions may continue beyond age 72.
Contribution limits –employee	Employees can defer up to \$20,500 per year, 2022 limit. Employee and employer contributions per employee cannot exceed \$61,000 unless employee is age 50 or older then they may defer up to an additional \$6,500. An employee of a “qualified organization” with 15 years of service may be eligible to contribute an additional \$3,000.	Employees can defer up to \$20,500 per year, 2022 limit. Employee and employer contributions per employee cannot exceed \$61,000 unless employee is age 50 or older then they may defer up to an additional \$6,500.
Deductions & deferrals	Employer contributions are tax deferred for employee. Employee contributions are pre-tax and tax deferred.	Employer contributions deductible to employer. Tax deferred for employee. Employee contributions are pre-tax and tax deferred.
Investment options	Mutual funds 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.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Feature	403(b)	401(k)
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 (governmental or certain church plans).	Yes, unless otherwise exempt (governmental or certain church plans).
Testing	If ERISA plan, subject to ADP, ACP and top heavy testing. Exception for state/ local governmental employers and certain churches.	Subject to ADP, ACP and top heavy testing.
Form 5500 annual reporting	If non-ERISA plan, no 5500 is required. If ERISA plan, 5500 filing is required.	Required. However, special rules do apply to plans covering only owners and spouses.