

SECURITY BENEFIT

# 403(b) ERISA Plan

FACT SHEET

403(b) ERISA Plan Overview																																												
Tax Advantages	<ul style="list-style-type: none"><li>Employee 403(b) deferrals are pretax</li><li>Employee Roth 403(b) contributions are after-tax</li><li>Employees pay no income taxes on contributions or earnings until they are distributed</li><li>Tax deferral maximizes the compounding value and increases the participant’s ultimate retirement income</li><li>Withdrawals are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax</li><li>Flexible distributions are available through employee-controlled periodic payments from a “rollover” IRA and/or Roth IRA</li><li>Roth 403(b) contributions and earnings are totally tax-free at the time of distribution if certain requirements are met</li></ul>																																											
	<ul style="list-style-type: none"><li>Employees can elect to contribute from 0 to 100% of their income, up to the listed maximums of:</li></ul> <table><tr><td>Tax Year: 2024</td><td>\$23,000</td></tr></table> <ul style="list-style-type: none"><li>Catch-up contributions for age 50 and older</li></ul> <table><tr><td>Tax Year: 2024</td><td>\$7,500</td></tr></table> <ul style="list-style-type: none"><li>An additional “catch-up” option may be available for certain individuals, with at least 15 years of service</li><li>Salary reductions make employee deferrals/contributions convenient and easy</li><li>Employee traditional 403(b) pretax deferrals reduce their Federal, State and Local income taxes but are subject to Social Security (FICA) tax*</li><li>Employee Roth 403(b) after-tax contributions are subject to State, Federal and Social Security (FICA) taxes</li><li>Highly Compensated Employee (HCE) matching contributions are limited to a nondiscriminatory percentage. (See table below)</li></ul> <table><tr><th colspan="3">Average Contribution Percentage (ACP) Test of Internal Revenue Code (IRC) Section 401(m)</th></tr><tr><th>ACP of the Non-Highly Compensated</th><th>Maximum ACP of the Highly Compensated</th><th>Applicable Test</th></tr><tr><td>1%</td><td>2%</td><td>200%</td></tr><tr><td>2%</td><td>4%</td><td>200%</td></tr><tr><td>3%</td><td>5%</td><td>2% Spread</td></tr><tr><td>4%</td><td>6%</td><td>2% Spread</td></tr><tr><td>5%</td><td>7%</td><td>2% Spread</td></tr><tr><td>6%</td><td>8%</td><td>2% Spread</td></tr><tr><td>7%</td><td>9%</td><td>2% Spread</td></tr><tr><td>8%</td><td>10%</td><td>125%</td></tr><tr><td>9%</td><td>11.25%</td><td>125%</td></tr><tr><td>10%</td><td>12.50%</td><td>125%</td></tr><tr><td colspan="3">At 2% ACP or less, use the 200% limit; above 2% until 8%, use the 2% spread limit; at 8% or above, use the 125% limit</td></tr><ul style="list-style-type: none"><li>Employee deferrals are always 100% vested</li><li>Employers can encourage employee deferrals by matching a portion of the Employee’s deferral</li><li>Employer nonelective contributions are allowed</li></ul></table>		Tax Year: 2024	\$23,000	Tax Year: 2024	\$7,500	Average Contribution Percentage (ACP) Test of Internal Revenue Code (IRC) Section 401(m)			ACP of the Non-Highly Compensated	Maximum ACP of the Highly Compensated	Applicable Test	1%	2%	200%	2%	4%	200%	3%	5%	2% Spread	4%	6%	2% Spread	5%	7%	2% Spread	6%	8%	2% Spread	7%	9%	2% Spread	8%	10%	125%	9%	11.25%	125%	10%	12.50%	125%	At 2% ACP or less, use the 200% limit; above 2% until 8%, use the 2% spread limit; at 8% or above, use the 125% limit	
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\*Check with your tax advisor for your state and local income tax treatment

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Basic plan Features	<ul style="list-style-type: none"><li>• Eligibility requirements for employer contributions can include up to age 21 and one year of service (1,000 hours)</li><li>• Employer nonelective contributions are discretionary (from 0 to 25%)</li><li>• Employer matching contributions can be discretionary or fixed</li><li>• Employer nonelective contributions are allocated according to the formula specified in the plan</li><li>• Employer contributions can be tied to a vesting schedule based on years of service</li><li>• All of the participant's account balance is payable upon retirement, disability or death, but only the vested balance is payable with any other severance from employment</li><li>• Taxable distributions for reason of disability, death or after age 55 and severance from employment avoid the IRS 10% early withdrawal penalty</li><li>• Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the later of the IRS RMD age or retirement</li><li>• Younger and long-term employees may benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings</li></ul>
Contributions	<ul style="list-style-type: none"><li>• The employer's contribution is limited to 25% of eligible compensation</li><li>• The maximum annual addition to a participant's account is the lesser of 100% of their compensation, subject to a \$69,000 annual limit (2024), plus any catch-up contributions</li></ul>
Plan Suitability	<p><b>403(b) ERISA Plans are favored when the employer:</b></p> <ul style="list-style-type: none"><li>• Wants to give Employees the opportunity to enhance their own retirement benefits</li><li>• Wants employees to make all or part of their contributions</li><li>• Wants to limit Employer contribution obligations (matching contributions can be either a predetermined formula or discretionary)</li><li>• Wants flexibility in making nonelective contributions</li></ul>
Advantages of a 403(b) ERISA Plan over a 401(k) Plan or SIMPLE IRA	<ul style="list-style-type: none"><li>• Part-time employees can be excluded (1,000 hour requirement) – [SIMPLE IRA]</li><li>• Employees can defer more of their compensation – [SIMPLE IRA]</li><li>• Roth 403(b) contributions are available – [SIMPLE IRA]</li><li>• Employer matching contributions are discretionary and can be larger – [SIMPLE IRA]</li><li>• A vesting schedule can apply to employer contributions – [SIMPLE IRA]</li><li>• Participant loans can be made available – [SIMPLE IRA]</li><li>• The IRS 10% early withdrawal penalty can be avoided after age 55 (instead of 59½) [SIMPLE IRA]</li><li>• No discrimination testing on salary deferrals – [401(k)]</li></ul>

Your path *To and Through Retirement*<sup>®</sup> begins here.

Talk to your financial professional to see whether a 403(b) ERISA Plan can complement your retirement portfolio or contact us at 800.747.5164, Option 3.

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