

2008 Deadline for Nonprofits to Update Their 403(B) Plans



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Industry: [Non Profit](#)

Press Release Summary: By year end 2008, most nonprofit employers will need to update their 403(b) retirement plan in order to comply with the new 403(b) regulations.



Press Release
Body: By year
end 2008, most
nonprofit
employers will
need to
implement a
number of
changes to both
the design and
administration of

their **403(b) retirement plan** in order to comply with the new IRS regulations governing these plans. The consequences of not complying with the new regulations can be severe and may even disqualify the plan, according to **Lamaute Capital, Inc.** an investment firm specializing in retirement plans.

Among the new **403(b) requirements** are that the plan must be in writing and contain the provisions relating to eligibility, benefits, distribution availability and other limitations, and information relating to the annuity contracts or custodial agreements used by the plan.

The new **403(b) regulations** will likely increase the paperwork, cost of administration, and potential fiduciary liabilities associated with maintaining a 403(b) plan to the point that it may make sense for some nonprofits, especially smaller ones, to switch from a **403(b) to a 401(k) plan**.

One of the advantages with a 401(k) is that plan sponsors can use pre-approved 401(k) plan documents. With a 403(b), on the other hand, plan sponsors that want approval for their plan from the IRS must go through a private letter ruling, a process that can be expensive and time consuming. Also it is easier to find ongoing support and software related to administering a 401(k) because the 401(k) is a more widely used plan than the 403(b).

Nonprofit employers such as associations and other tax-exempt organizations are allowed by law to have a 401(k) plan. A 401(k) can be designed to accept contributions solely from the employee's salary if the employer chooses not to match those contributions.

Lamaute Capital (www.InvestSafe.com) suggests that now is a good time for nonprofits to look at updating their 403(b) plan or even consider switching altogether to a 401(k). They will prepare a free 401(k) plan proposal for organizations.

Web Site: <http://www.Investsafe.com>

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