



| 403(b) Plan

What is a 403(b) Plan?

The 403(b) is a tax deferred retirement plan available to employees of educational institutions and certain non-profit organizations as determined by section 501(c)(3) of the Internal Revenue Code. Contributions and investment earnings in a 403(b) grow tax deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income.

What are the Benefits of Contributing?

A Healthy Retirement - Most employees of educational institutions and other non-profit organizations are provided with a pension upon retirement. Few pension plans, however, provide an amount equal to salary.

Lower Taxes - 403(b) contributions are made on a pre-tax basis that can greatly reduce your tax bill. Generally, if you contribute \$100 a month to a 403(b) plan, you've reduced your Federal income taxes by roughly \$25 (assuming you are in the 25% tax bracket). In effect, your \$100 contribution costs you only \$75. The tax savings are magnified as your 403(b) contribution increases.

More Tax Savings - all dividends, interest and capital gains accumulate in a 403(b) account on a tax-deferred basis. This means your earnings will grow tax-free until time of withdrawal.

Who is Eligible?

Employees of tax-exempt organizations established under section 501(c)(3) of the Internal Revenue Code. These organizations are usually referred to as section 501(c)(3) organizations or simply 501(c)(3) organizations.

Participants include teachers, school administrators, school personnel, nurses, doctors, professors, researchers, librarians, and ministers.

Tax Deferred

- The money you are gathering in your 403(b) will not be taxed until you take it out. (distribution)
- Most people will be in a lower tax bracket after retirement than they are today

Your 2020 contribution opportunities

If you contribute the maximum basic salary deferral limit, and you qualify for both of the catch-up provisions described below.

- Basic salary deferral limit: \$19,500 in 2020.
- 403(b) Lifetime Catch up: You may be eligible to defer up to an additional \$3,000.
- Age 50+ Catch up: If you are age 50 or older, you may be eligible to defer up to an additional \$6,500 in 2020.
- Total 2020 contribution limit on combined employee/employer contributions: 100% of your includible compensation of \$57,000, whichever is less.

403(b) Investment Options

- Annuity and variable annuity contracts with insurance companies.
- Custodial account made up of mutual funds. This is known as a 403(b)(7).
- Retirement income accounts for churches. This is known as a 403(b)(9).