



Meeting the Retirement Challenge

403(b) ACCOUNT

The Challenge

Today's financial experts are warning that Americans are not saving enough for retirement. In light of rising health care costs, the effects of annual inflation, and other costs in retirement, some are recommending that retirement income should be equal to pre-retirement income. That challenge calls for an early start on retirement savings.

How can a 403(b) retirement savings account help?

Because your state retirement plan may not be enough to replace your pre-retirement income — even if you qualify for Social Security — a tax-deferred 403(b) retirement savings account can help fill that gap.

Roth Option

A Roth may be available in a 403(b) plan. A Roth contribution is an after-tax contribution to a 403(b) plan, which grows tax-deferred and upon distribution is tax-free when the distribution is a Qualified Distribution. This is different from a traditional pretax contribution which grows tax-deferred until withdrawal, and then is subject to ordinary income tax.

Roth contributions may have a number of advantages for you, if you fit any of the following criteria:

- You believe that you will be in a higher tax bracket when you retire than you are now
- You believe that marginal tax rates will increase
- You want an investment that allows for tax-free growth

Generally, Roth contributions hold the most potential for younger workers with the most time left until retirement. Consult your financial professional for more information on the potential benefits of contributing to a Roth option.

¹ Contributions to a tax-deferred account are taxed when withdrawn. Withdrawals from a tax-deferred account prior to age 59½ may be subject to a 10% IRS penalty tax. Conversely, earnings from an investment that does not offer tax-deferral are taxed currently, and withdrawals from such an investment are not subject to a penalty tax.

Tax Advantages of a 403(b) Account

	Taxable Account	403(b) Account
Reduces Current Income Tax	X	✓
Earnings Tax-Deferred ¹	X	✓
No Taxes Paid Until Withdrawn	X	✓

Loans

- You may borrow from your account, if your plan allows loans.
- Maximum loan amounts apply.
- Loan payments must be made at least quarterly over five years. If the loan is used to purchase a primary residence, repayments can be stretched up to 30 years.
- Loan origination fees apply.
- Quarterly loan maintenance fees apply.
- Failure to repay could result in a taxable event and be subject to penalties.
- Please consult your financial professional regarding the availability of loans in your plan.

Hardship

If you encounter a severe financial hardship, you may be allowed to take a hardship distribution from your 403(b) account. Such distributions must be specifically allowed by your plan. Hardship distributions of an employee's salary deferrals must meet two tests before they can be paid:

- The participant must have a heavy and immediate financial need
- The distribution must be necessary to satisfy that need

Whether a need is "heavy and immediate" is subject to your circumstances. Some examples may be certain medical expenses, costs related to a funeral or burial, expenses incurred repairing damage to your principal residence, or other situations. Consult your financial professional before seeking a hardship distribution.

Transfers

- If you change jobs, you may roll your account to your new employer's plan, an IRA or other plan. Some restrictions apply.
- IRS regulations may limit the availability of transfers.

Investment Options

- A wide variety of investment options are available, ranging from fixed-return to aggressive equity investments. Working with your financial professional, you can design a portfolio that's right for you.

Contribution Limits

Contributions are made through payroll deduction.

Maximum annual salary deferral (2024)	\$23,000
Age 50+ catch-up maximum	\$7,500

Distributions

- All distributions are subject to ordinary income tax.
- Withdrawals prior to age 59½ may be subject to an additional 10% penalty tax — see exceptions below.
- Required distributions must begin at age 72 or at retirement, whichever comes later.

There are some exceptions to the 10% penalty tax on withdrawals prior to age 59½.

- Penalty-free withdrawals are available from the 403(b) plan if you retire in or after the calendar year you attain 55 years of age.
- Penalty-free in-service distributions may be available for you at age 59½ if you choose to continue to work.

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