

Important Benefit Information about your 403(b) Retirement Plan

What is a 403(b) plan?

A 403(b) plan, also known as a Tax-Sheltered Annuity (TSA) plan, is a tax-deferred retirement plan for employees of certain tax-exempt, governmental organizations or public education institutions. An employer may sponsor a 403(b) plan to provide a benefit to its employees of the opportunity to save for retirement on a tax-deferred basis.

403(b) plans were created to encourage long-term savings, so depending on your plan, distributions are available only when you reach age 59 ½, leave your job or upon death or disability. Keep in mind, distributions before age 59 ½ might be subject to restrictions and a 10% federal penalty for early withdrawals.

Why contribute to a 403(b) plan?

Participating in your plan can provide a number of benefits, including the following:

- **Lower Taxes Today**

The 403(b) contributions you make are on a pre-tax basis. This means that you are taxed on a lower amount of income. For example, if your federal marginal income tax rate is 25%, and if you contribute \$100 a month to a 403(b) plan, you have reduced your federal income taxes by nearly \$25. In effect, your \$100 contribution costs you only \$75. The tax savings can grow with the size of your 403(b) contribution.

- **Tax-deferred Growth**

In your 403(b) plan, interest and earnings accrue tax-deferred. This means that your interest will grow tax-free until the time of your withdrawal. The compounding interest on your 403(b) plan can allow your account to grow more quickly than saving in a taxable account where interest and earnings are generally taxed each year.

- **Taking the Initiative**

Contributing to a 403(b) retirement plan can help you take control of your future retirement needs. Other sources of retirement income, including state pension plans and, if applicable, Social Security, often do not adequately replace a person's salary upon retirement. A 403(b) plan can be a great way to provide you with additional income at retirement.

- **Possible Tax Credits**

If you make contributions to the plan, you may be able to receive a tax credit, which could reduce your overall federal income tax paid for the year.

How do I get more information?

To obtain additional information about participation, and about the savings products made available under the plan, contact your payroll/human resources department.